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DX292
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CONDITIONAL SALE CONTRACT

dated as of April 19, 1957,

between

HUGHES TOOL COMPANY
as Seller

and

TRANS WORLD AIRLINES, INC.
as Buyer

CONDITIONAL SALE CONTRACT

Contract of Conditional Sale made as of the 19th day of April, 1957, between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called the "Seller"), with its principal place of business at Houston, Texas, and TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter sometimes called the "Buyer"), with its principal place of business at Kansas City, Missouri,

THE INTEREST OF THE SELLER IN THE AIRCRAFT AND EQUIPMENT COVERED HEREBY IS THAT OF A CONDITIONAL SELLER AND THE INTEREST OF THE BUYER THEREIN IS THAT OF A CONDITIONAL BUYER.

W I T N E S S E T H :

WHEREAS, Hughes has contracted to purchase from Lockheed Aircraft Corporation (hereinafter called "Lockheed") the twenty-five (25) Model L-1649A Lockheed Airplanes identified as follows:

<u>C.A.A. Registration No.</u>	<u>Mfg. Serial No.</u>
N7301C	1002
N7302C	1003
N7303C	1004
N7304C	1005
N7305C	1006
N7306C	1007
N7307C	1008
N7308C	1009
N7309C	1010
N7310C	1012
N7311C	1013
N7312C	1014
N7313C	1015
N7314C	1016
N7315C	1017
N7316C	1018
N7317C	1019
N7318C	1021
N7319C	1022
N7320C	1023

G.A.A. Registration No.

Mfg. Serial No.

N7321C
N7322C
N7323C
N7324C
N7325C

1024
1025
1029
1030
1035

together with the airplane engines (each of which is of 750 or more rated take-off horsepower and will be later identified by manufacturer's serial number in a supplement to this Conditional Sale Contract) installed in each thereof on the date of delivery of such airplanes to Hughes and together with the propeller assemblies and all other equipment and accessories attached to such airplanes and engines on the date of delivery of such airplanes to Hughes (hereinafter called "the Airplanes");

WHEREAS, Hughes has also contracted to purchase from various vendors extra airplane engines (each of which is of 750 or more rated take-off horsepower and will be later identified by manufacturer's serial number in a supplement to this Conditional Sale Contract) and propeller assemblies and airframe spare parts, spare parts for airplane engines and for propeller assemblies, and other accessories, flight equipment and parts, for use on or in connection with the operation or maintenance of the Airplanes at, in or near repair or overhaul bases, airports, airfields, landing strips, hangars, warehouses, storehouses and buildings owned, operated, leased or used by Buyer at any one or more of the locations shown on Exhibit 1 annexed hereto (all of which engines, propeller assemblies, parts, accessories and equipment are hereinafter referred to as "Spares"); and

WHEREAS, Hughes desires to sell and TWA desires to buy the Airplanes and Spares pursuant to the conditional sale arrangements set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Seller agrees to sell to Buyer and Buyer agrees to purchase the Airplanes and Spares upon the terms and conditions hereinafter set forth.

2. (a) Simultaneously upon conveyance of title to each Airplane to Seller, such Airplane shall forthwith be delivered to Buyer and Buyer shall accept such delivery at Lockheed Air Terminal, Burbank, California, or at such other place to which the Airplane has been delivered to Seller.

(b) Seller shall deliver the Spares, or cause them to be delivered, to Buyer at Kansas City, Missouri, or such other place as may be designated by Buyer, such deliveries to be made upon delivery of the first Airplane to Buyer, or as soon thereafter as practicable, and with respect to Spares not then delivered to Seller, upon delivery of such Spares to Seller, or as soon thereafter as practicable.

3. (a) The purchase price of each Airplane for purposes of this Contract shall be the aggregate of

(1) The amounts Seller shall have paid Lockheed for such Airplane at the time of its delivery to Buyer hereunder;

(2) All additional direct costs which have been paid or incurred by Seller at the time of the delivery of such Airplane to Buyer and are attributable to such Airplane, including, but not limited to, costs of "customer furnished equipment".

To the extent that any such costs are not specifically attributable to a particular Airplane they shall be allocated equally among the Airplanes at the time not delivered to Buyer;

(3) An amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Airplanes; less, however, an amount equal to the sum of all interest payments received by Seller from Lockheed for advance payments made by Seller to Lockheed in connection with the purchase agreement between them covering the Airplanes. Said sum of interest payments received by Seller from Lockheed shall be credited only against that part of the purchase price provided for by this subparagraph (3), and shall in no event reduce that part of the purchase price represented by subparagraphs (1) and (2) of this paragraph. The average amount of the outstanding advance payments applicable to each Airplane shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(a) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of such Airplane to Buyer under this Contract.

(b) The purchase price of Spares for purposes of this Contract shall be the aggregate of

(1) the total payments made therefor by Seller to the vendors of such Spares at the time of the delivery of the first Airplane to Buyer hereunder;

(2) all additional direct costs which have been paid or incurred by Seller at the time of the delivery of the first Airplane to Buyer and are attributable to such Spares or to the purchase thereof;

(3) an amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Spares. The average amount of the outstanding advance payments applicable to Spares shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(b) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of the first Airplane to Buyer under this contract;

(4) any additional amount which, at the time of the delivery of the first Airplane to Buyer hereunder, Seller is committed to pay to suppliers of Spares.

(c) The purchase price of each Airplane and the purchase price of Spares shall each be paid by Buyer to Seller in sixty (60) equal consecutive monthly installments, together with interest on the unpaid balance at the rate of 4 per cent (4%) per annum. The first of such payments relating to each Airplane shall be made at the time of delivery of such Airplane, and the first of such payments relating to Spares shall be made at the time of delivery of the first Airplane. As to each Airplane, and as to Spares, the second and succeeding payments shall be made monthly on the first day of the months succeeding the month in which the first payment is required to be paid, until the

whole of each such purchase price shall have been paid.

All payments shall be made to the Seller at the Hughes Tool Company, Houston, Texas.

(d) In the event that the purchase price of the Airplanes differs from the amount computed at the time of the delivery thereof to Buyer hereunder or in the event that the aggregate net amount which Seller is required to pay for the Spares in a final accounting with the suppliers thereof differs from the amount used in computing the purchase price thereof pursuant to subparagraph 3(b), separate and independent adjustments will be made by payment from one party to the other of such difference. Similarly, Seller will reimburse Buyer for any interest paid by Buyer with respect to any portion of the purchase price of the Spares which is unpaid at the time of delivery of the first Airplane hereunder, to the extent and for the period that Seller has not earned such interest by having made payments to the suppliers.

4. Title to the Airplanes and Spares shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes and Spares shall pass to Buyer.

5. Upon the happening of any one or more of the following events, namely:

(a) default in making any payment, in the manner herein specified, of any monthly installment of the purchase price of the Airplanes or Spares and such default shall continue unremedied for five (5) days after written notice thereof shall have been delivered by Seller to Buyer;
or

(b) default shall be made by the Buyer in the observance or performance by the Buyer of any other covenant or agreement contained herein, and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been delivered by Seller to Buyer; or

(c) the Buyer shall become insolvent, or shall file a voluntary petition in bankruptcy, or shall file a voluntary petition or answer seeking or consenting to reorganization pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors, or shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall consent to the appointment of a receiver or trustee of or for it or a substantial part of its property; or

(d) an order shall be entered pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors approving a petition seeking a reorganization of, or if an order shall be entered appointing a receiver or trustee of, or for any substantial part of the property of, or if a warrant of attachment shall be issued against any substantial part of the property of, the Buyer, and any such order is not dismissed or stayed within sixty (60) days from its entry or such attachment is not dismissed or bonded within thirty (30) days from its levy; or

(e) the Bonds at the time issued and outstanding under that certain Indenture, dated as of December 1, 1954, between Buyer and Irving Trust Company, as Trustee, as said Indenture may have heretofore been or may hereafter be amended, shall be declared and become due and payable,

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prior to the date of maturity of such Bonds as set forth therein, upon the occurrence of any of the "events of default" described in said Indenture, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof); or

(f) the Notes at the time issued and outstanding under that certain Chattel Mortgage, dated as of December 20, 1954, between Buyer and Irving Trust Company, as Trustee, as said Chattel Mortgage may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Notes as set forth therein, upon the occurrence of any of the "events of default" described in said Chattel Mortgage, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof);

then Seller may at once (or at any later time) proceed to take possession of the Airplanes and Spares in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes or Spares may be and take possession thereof and remove the same. Seller may resell the Airplanes and Spares, so retaken, at public or private sale, with or without having such Airplanes and Spares at the place of sale, and upon such terms and in such manner as Seller may determine. Notice of the intention of Seller to so sell the Airplanes and Spares shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale,

Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes and Spares, including any reasonable attorneys' fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane or Spares falling due after Seller has taken possession of such Airplane or Spares pursuant to this provision.

6. From and after delivery of the Airplanes and Spares to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes,

(a) Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes and Spares. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

(b) Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in such amounts and with such companies as shall be satisfactory to Seller. If any such Airplane shall be lost, destroyed or damaged to such an extent that repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of

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such Airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Upon such payment to the Seller of insurance to the extent of the unpaid balance of the purchase price of any Airplane, absolute title to the Airplane so damaged or to any parts of an Airplane so destroyed shall vest in Buyer and Seller shall deliver to Buyer such proper documents of title with respect thereto as Buyer may reasonably require. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplane falling due after such loss, destruction or damage. Any insurance proceeds in excess of the amount payable to the Seller, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

7. Buyer may at any time pay to Seller the unpaid balance of the purchase price of the Airplanes and Spares or any part thereof, without premium or penalty.

8. / Upon the payment to Seller of the balance of the purchase price of the Airplanes and Spares together with all other amounts owing to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate:

(a) a bill of sale duly vesting in Buyer the title to the Airplanes and Spares free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of the Airplanes and Spares to Seller and not arising out of the possession, use or operation of the Airplanes and Spares by Buyer, and

(b) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

9. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the Airplanes and Spares or the purchase thereof by Seller, then in addition to the sales price provided for in paragraph 3, Buyer shall pay to Seller the amount thereof, upon demand.

10. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower.

11. The Buyer agrees that it will pay and discharge all taxes, assessments, governmental charges and all charges for keep, repairs, storage, maintenance or accessories, which if unpaid might become a lien, charge or encumbrance upon or against any of the Airplanes or Spares; and upon the failure of the Buyer so to do the Seller may make any such payment; provided, however, that nothing herein contained shall require the Buyer to pay such tax, assessment or charge so long as the Buyer shall in good faith contest the validity thereof and shall furnish the Seller such bond or indemnity as the Seller shall require, unless, in the judgment of the Seller, forfeiture is likely to result from any such failure to pay. Any sum or sums so paid by the Seller, together with interest thereon at the highest lawful contract rate, shall be and become a part of the sum which the Buyer is required to pay under this Contract, and shall immediately, without demand, be due and be repaid by the Buyer to the Seller.

The Buyer will, upon written request from the Seller,

(a) reimburse the Seller for all filing or recording fees incurred in connection with filing or recording or refiling or re-recording this Contract and all supplements and additions hereto, if any;

(b) execute and deliver to the Seller all such further documents and instruments and do such further acts as may be necessary to perfect the rights of the Seller herein contemplated; and

(c) furnish to the Seller at reasonable intervals reports and certificates setting forth all the information necessary to inform the Seller as to the continued existence, location and condition of the Airplanes and Spares. The Seller shall also have the right to inspect the Airplanes and Spares at all times when the same are not in use and when such inspection can be had without undue inconvenience or expense to the Buyer.

12. Buyer agrees to maintain the Airplanes and Spares in good repair and working condition at its own expense, except any airplane lost, destroyed or so damaged that insurance with respect thereto is payable to the Seller pursuant to paragraph 6 hereof. Subject to the proper performance of such covenant, the Buyer may make repairs and replacements to the Airplanes and Spares and may substitute for engines, propellers and any other equipment installed in or attached to the Airplanes or Spares, engines, propellers or other equipment of substantially the same kind and value; provided, however, that no removal of any such engines, propellers, or equipment, and no replacement thereof, shall divest Seller of its superior title thereto,

or render any such removed or replaced equipment subject to the lien or claim of any person other than Seller, UNLESS and UNTIL such equipment is replaced by equipment of substantially the same kind and value, the title to which, upon such equipment being installed in or attached to the Airplanes or Spares, may validly vest in Seller free and clear of the lien or claim of any other person, subject to the provisions of paragraph 14 hereof. In the case of any such permitted substitution, title to the substituted equipment shall immediately vest in Seller and become subject to the provisions of this Conditional Sale Contract and remain so vested and so subject unless and until substituted for in the manner hereinabove permitted; and title to the equipment substituted for shall vest in Buyer.

13. Until title to the Airplanes and Spares shall have passed to the Buyer hereunder, the Buyer shall have no right, power or authority to sell, transfer, assign, mortgage or encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof (except as provided in paragraph 12 hereof) or any interest therein, and the Buyer hereby agrees that, except as permitted by paragraph 12 hereof, the Buyer will not (voluntarily or involuntarily) sell, transfer, mortgage, encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof or any interest therein. Buyer agrees, except as provided herein, that the Airplanes and Spares will be used exclusively for its commercial air transport operations and related activities and that it will not permit the Airplanes and Spares to be used or possessed by others. Buyer may permit the use of the Airplanes and Spares by other airlines with which Buyer enters into interchange

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agreements provided that any such use by other airlines shall for the purposes of this agreement be considered to be use by the Buyer.

14. To the extent, if any, that there is a conflict between any of the provisions of this agreement and any of the provisions of the Indenture of Mortgage dated as of December 1, 1954 between the Buyer and Irving Trust Company, as Trustee, or of the Chattel Mortgage dated as of December 20, 1954 between the Buyer and Irving Trust Company, as Trustee, the provisions of said Indenture and said Chattel Mortgage shall prevail and the provisions of this agreement shall be deemed amended to the extent necessary to avoid such conflict. Seller recognizes the liens created by (a) Granting Clause VI of said Indenture and (b) Granting Clause III of said Chattel Mortgage as prior liens on the aircraft engines and on the propellers, appliances and spare parts relating to the Airplanes or Spares when and so long as they shall be installed in, attached to or incorporated in any of the aircraft or aircraft engines at any time subject to the lien of said Indenture or of said Chattel Mortgage, as the case may be.

Seller agrees that so long as all the Bonds issued under said Indenture at the time outstanding shall be held by the original purchaser thereof, (a) Seller will not repossess the Airplanes or Spares, in the event of a default by Buyer under this agreement, without affording such original purchaser reasonable notice of such default and a reasonable opportunity to remedy the same and (b) such original purchaser shall have the right, at its option, to purchase at any time all the interest of Seller hereunder by paying to Seller the then remaining balance of the purchase price hereunder plus accrued interest.

Seller also agrees that in the event of a default by Buyer hereunder, the rights and remedies of Seller shall be limited to repossession of the Airplanes and Spares.

15. Before delivery of each Airplane to Buyer hereunder, Buyer will cause to be fastened thereon in a location reasonably adjacent to, and not less prominent than that of, the airworthiness certificate for such Airplane, a name plate no larger than four inches by seven inches (4" x 7") bearing the following legend:

"Hughes Tool Company holds legal title
to this Airplane as Conditional Seller."

Buyer shall maintain such name plate in such location or in one of at least equal prominence and visibility at all times. Buyer may affix to the Airplanes Buyer's name, insignia or other legends customarily displayed by Buyer on its airplanes.

16. Buyer shall indemnify and hold harmless Seller, its agents and its employees from any and all liability for losses, expenses, damages, demands and claims in connection with or arising out of any death of, or injury or alleged injury or damage to, persons or property sustained, or alleged to have been sustained, in connection with or arising or alleged to have arisen out of Buyer's possession, use or operation of the Airplanes or Spares and Buyer agrees to handle any claim and defend any suit or action brought against Seller, its agents or its employees, or any of them, based on any such death, injury or damage, or alleged injury or damage, and to pay all damages, costs and expenses, including attorneys' fees, in connection therewith or resulting therefrom.

Buyer's liability to Seller under this paragraph 16 is conditioned upon Seller's promptly giving notice to

Buyer of institution of such suit or action or of receipt of such claim or demand. Buyer shall have the option at any time to conduct negotiations with the party or parties making any such claim or demand, and may intervene in any such suit or action. Whether or not Buyer intervenes in any such suit or action, it shall be entitled to assume, conduct or control the defense thereof, and Seller shall not settle or discharge any such claim, demand, suit, action or judgment without prior notice to and the consent of Buyer.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By

C. H. Price

Vice President

Attest:

W. E. Rankin

Assistant Secretary

OK
as to
form.
CAG

TRANS WORLD AIRLINES, INC.

By

G. V. Leslie

Senior Vice President - Finance

Attest:

James D. [illegible]

Assistant Secretary

CIVIL AERONAUTICS
BOARDNov 19 11 3 AM '38
U.S. BUREAU
CIVIL AERONAUTICS BOARD

Application

-of-

HUGHES TOOL COMPANY,
a Delaware Corporation,

for approval by the Civil Aeronautics Board,
if such approval is deemed necessary, of
control of Transcontinental & Western Air,
Inc., an air carrier, under Section 408 of
the Civil Aeronautics Act of 1938.

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NAME, TITLE AND ADDRESS OF PERSONS TO WHOM COMMUNICATIONS
FROM THE BOARD ARE TO BE SENT:

Chadbourne, Wallace, Parke & Whiteside,
25 Broadway,
New York 4, N. Y.

and

Neil S. McCarthy, Esq.,

CIVIL AERONAUTICS BOARD

----- x
Application

of

HUGHES TOOL COMPANY

a Delaware corporation, for approval
by the Civil Aeronautics Board, if
such approval is deemed necessary,
of control of Transcontinental &
Western Air, Inc., an air carrier,
under Section 408 of the Civil
Aeronautics Act of 1938.

----- x
TO THE HONORABLE, THE CIVIL AERONAUTICS BOARD:

The Applicant, Hughes Tool Company, a Delaware
corporation, respectfully submits to the Board the following:

1. The name and address of the Applicant is Hughes
Tool Company, Gulf Building, Houston, Texas. All the stock
of Hughes Tool Company is owned by Mr. Howard R. Hughes, who
is a resident of Houston, Texas, and a citizen of the United
States.

2. Hughes Tool Company, as of July 31, 1943, owned
440,050 shares of the capital stock of Transcontinental &
Western Air, Inc., being equal to 45.6 percent of a total of
965,083 shares outstanding on that date. Transcontinental &
Western Air, Inc., also a Delaware corporation, is an air
carrier under the Civil Aeronautics Act of 1938 as amended,
holding certificates of convenience and necessity for the
transportation of persons, property and mail for routes 2, 36,

287] 3. Hughes Tool Company is principally engaged in the manufacture of oil field equipment, and is also engaged in the development and manufacture of aircraft through a department operated under the name of "Hughes Aircraft Company", with its principal place of business at Florence Avenue and Teale, Culver City, California. This department is engaged entirely

8] in the development and manufacture of aircraft for the Government or for war purposes.

4. Applicant hereby seeks the approval by the Civil Aeronautics Board, if such approval is deemed necessary, of the control by the Applicant of Transcontinental & Western Air, Inc.

WHEREFORE, the Applicant prays that the Board acting pursuant to Section 408 of the Civil Aeronautics Act of 1938, as amended, enter an order granting the approval sought herein, if such approval is deemed necessary, and, if not necessary, enter an order to that effect; and that the Board grant the Applicant such other and different relief as it may deem proper.

Dated November 15, 1943.

Respectfully submitted,

HUGHES TOOL COMPANY

By

W. L. Sweeney
Vice President

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(CAB Orders & Documents)

O. K. for release



UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

DOCKET NO. 1182 ✓

Application for approval of acquisition of control under section
408 of the Civil Aeronautics Act of 1938, as amended.

HUGHES TOOL COMPANY CONTROL OF TWA

REPORT OF F. A. LEE, JR., SECRETARY

Served: JUL 12 1944

Upon:

George H. Spater for Hughes Tool Company
Sadie B. Whitbeck for the Department of Justice
Louis W. Goodkind, Public Counsel.

Exceptions, if any must be filed with the Secretary, Civil Aeronautics Board, Washington, D. C., and served upon all other parties within 10 days of the date of service shown above. Briefs may be filed and served on all other parties within 15 days after the date fixed for filing exceptions.

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

DOCKET NO. 1182

HUGHES TOOL COMPANY CONTROL OF TWA

Approval recommended of the acquisition of control by Hughes Tool Company of Transcontinental and Western Air, Inc., under section 408 of the Civil Aeronautics Act of 1938, as amended, subject to certain conditions.

Appearances:

George A. Spater for Hughes Tool Company
Sadie B. Arduthnot for the Department of Justice
Louis A. Goodkind, Public Counsel.

REPORT OF F. A. LAW, JR., CLERK

Hughes Tool Company, an industrial corporation, by application duly filed, seeks approval by the Board "if such approval is deemed necessary" under section 408 of the Civil Aeronautics Act of 1938, as amended, of the acquisition by it of control through stock ownership of Transcontinental and Western Air, Inc., hereinafter called TWA, an air carrier within the meaning of section 1(2) of the Act. After notice, hearing was held and briefs have been filed. The Department of Justice was authorized to intervene.

Under section 408(a)(5) it is unlawful, unless approved by the Board, for any air carrier or person controlling an air carrier, any other common carrier or any person engaged in any other phase of aeronautics, to acquire control of any air carrier in any manner whatsoever. By the language of section 408(b) the Board is required to grant such approval subject to such reasonable terms and conditions as are required in the circumstances unless it is found that the acquisition will not be consistent with the public interest.

Hughes Tool is a Delaware Corporation, all the stock of which is owned by Howard R. Hughes. Its principal business, located at Houston, Tex., is and has been the manufacture of rock bits, tool joints, and high pressure valves for the oil well drilling industry. The company is a family enterprise, founded by the father of the present owner, who was engaged in the oil industry. In its own field Hughes Tool has been and

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is highly successful. As of November 30, 1943, its capital and earned surplus aggregated nearly \$21,500,000. Its current assets aggregated more than \$22,000,000 against current liabilities of approximately \$10,770,000.

Howard R. Hughes is a well known aviator and aeronautical engineer who until recent years was interested in aeronautics principally, if not wholly, as a hobby. As an aviator he has been the winner of various trophies and is the holder of various speed records. As an aeronautical engineer he has designed or collaborated in the design and construction of aircraft for speed tests and more lately for air transport.

Hughes Tool first became interested in TWA at the solicitation of the president of TWA, a personal friend of Howard R. Hughes. In March 1939, the first purchase of stock, amounting to 600 shares, was made. By the end of that year, Hughes Tool was the owner of 157,700 shares of common stock of TWA. This amount had grown to more than 400,000 shares, or 42.1 percent of the then outstanding total at the end of 1940. At the end of 1942 Hughes Tool owned 440,050 shares or 45.6 percent of a total of 965,173 shares outstanding. All of this stock except 119,154 shares purchased on March 2, 1940, directly from the TWA treasury, was acquired through open market or brokerage transactions. The total investment of Hughes Tool in the stock of TWA is approximately \$5,535,000.

For the purpose of this proceeding applicant has stipulated that the stock now owned constitutes control of the carrier, but for practical purposes such control has existed since the end of 1940 at least, and the Hughes influence, had it been exercised, might have been effectively felt in 1939 when the ownership as stated reached 157,700 shares. Aside from the stipulation of counsel, very little discussion is required to demonstrate that control exists and has existed since 1940. Such a proportion of the outstanding stock as that then owned, then solidly held and consistently voted, represents such a dominating influence in the affairs of a corporation that control, either affirmative or negative, must follow. Much smaller interests have been found so to do.

No individual holds or has held office in both Hughes Tool and TWA except for the employment in an advisory capacity by Hughes Tool of the president of TWA, Mr. Jack Frye.

Prior to 1939 the only activity of Hughes or of Hughes Tool associated with any phase of the aircraft industry was experimental and developmental work upon the privately owned and operated equipment of Mr. Hughes or the company. No commercial activities of any character existed. The first activity of Mr. Hughes in any phase of commercial

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aeronautics followed the acquisition of an interest in TWA. In the late spring and early summer of 1939, Messrs. Hughes and Frye collaborated in the design of a 4-motored airplane developed for use by TWA in commercial air transportation. They began negotiations with several aircraft manufacturing concerns regarding construction, resulting in an agreement between Hughes Tool and Lockheed Aircraft Corporation on June 30, 1939, before control of TWA by Hughes Tool was obtained for the construction and delivery of five airplanes to be known as "Ex-Calibur-4". The name later was changed to Constellation and will be referred to hereinafter as such.

This contract restricted the manufacture and sale of the Constellation type aircraft to others than Hughes Tool or TWA. It was later modified to authorize their sale to the Governments of the United States and Great Britain, to Pan American Airways, Inc., and to Koninklijke Luchtvaart Maatschappij, known as "KLM", and the number to be purchased by Hughes Tool was increased to a total of 40. In 1941 the board of directors of TWA authorized the air carrier to accept assignment of the Hughes-Lockheed agreement, and in 1942 Hughes Tool, with the approval of Lockheed assigned to TWA all of its right, title, and interest therein. Under the agreement, TWA is to purchase 15 aircraft and Hughes Tool 25, the latter being purchasable under an option through TWA. The option to purchase the 25 is subject to cancellation upon appropriate notice. At the present time all of the Constellation type aircraft built are deliverable for military use subject to an option to reacquire a total of 40 by repurchase from the Government. Restrictions against the manufacturer which would prevent the sale of Constellation type aircraft for domestic air transport use except by TWA continues under existing contracts. When made, the Constellation agreements were for the benefit, and at the request of TWA, and to evidence TWA's interest, it was given the option to be substituted for Hughes Tool as the direct contracting party. The obvious, if not the expressed, purpose of these arrangements was to give TWA the benefit of the credit and financial standing of Hughes Tool in a transaction involving substantial financial responsibility. As to the 25 airplanes subject to the option of Hughes Tool, the record indicates that these, if the option is exercised, will be held for resale and for experimental use. Should applicant not exercise its option, it is still party to contracts restricting distribution of the aircraft even by resale, so as to prevent their use in domestic air service except by TWA.

In addition to its interest in the purchase and sale of Constellation type aircraft, Hughes Tool in 1942 began production as a subcontractor of aircraft parts for use in aircraft built as weapons for or transport by the United States military forces. Since that beginning, either directly or through subsidiary or affiliated companies, applicant has expanded and diversified its production activities in furtherance of the war effort. There is no evidence, however, of an intention to continue the manufacture of aircraft or aircraft parts or to otherwise engage in a phase of aeronautics on a commercial basis after the war. There is evidence to indicate only that Hughes Tool may continue developmental and experimental work in aviation.

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Jurisdiction of the Board in the proceeding is questioned by the application when it asks approval "if such approval is deemed necessary". Under the section of the act involved, there are three elements of jurisdiction: (1) there must be an acquisition of control; (2) the party sought to be controlled must be an air carrier; and (3) the acquirer must be engaged in a phase of aeronautics. As to the first two there is no doubt. There has been an acquisition of control, and TAA is an air carrier. As to none was any serious objection to the Board's jurisdiction interposed during the course of the proceeding subsequent to the filing of the application. As the case has proceeded, it has become quite clear that neither the applicant nor TAA oppose assumption of jurisdiction by the Board and the making of statutory finding required by the act. The pertinent question is whether Hughes Tool is engaged in a phase of aeronautics as contemplated by section 402 of the act. Particularly significant in this regard is the fact that Hughes Tool is at present obligated to purchase a substantial fleet of aircraft, at least a part of which may be held for resale for commercial airline operation. It thus may under its contracts, if it has not already, become a dealer in such equipment and thus engaged in a phase of aeronautics, which renders unlawful the acquisition of control of the air carrier without the consent of the Board. While some basis for reasonable doubt in the mind of the applicant may have existed at the time control of TAA was obtained, the fact that applicant is authorized to become a dealer in second hand air transport equipment supports jurisdiction of the Board herein as urged by Public Counsel. The consummation of its plan is not essential to this conclusion. 2/

Under the present and contemplated operations of Hughes Tool no adverse effect upon the public interest can be foreseen. Applicant is not now engaged in and has no plans contemplating production of aircraft, aircraft parts, or facilities for use in commercial air transportation. So far as the possibility of TAA acquiring from the applicant aircraft which the applicant is obligated to purchase under existing agreements is concerned, the price is firmly established so as not to exceed costs, and in view of what right be referred to as the paternalistic attitude of Hughes Tool up to the present, the likelihood that TAA might be forced to purchase more than the economic operations of TAA require is remote, but such a possibility exists. That no presently existing harm or unethical purpose is apparent is not conclusive as to the future. However, the possibility of wrong doing is no basis for the interruption of a relationship which has not proven harmful, but on the contrary has been and may continue to prove helpful to the air carrier. Remembering that the interest of applicant in the air carrier had its inception in an effort to be helpful in the consummation of plans conceived and initiated by the air carrier itself, it is not inconsistent with the public interest that the relationship continue, but because of the possibilities existing therein it is proper that the Board in observance of the obligations imposed upon it by the act insure against any temptation which may later come to the applicant to take advantage of the relationship to its own profit and to the detriment of the public interest by

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granting its approval subject to such reasonable conditions as will enable it in the future to adequately protect the public interest.

The Department of Justice urges that the restraint which has been placed upon the sale of Constellation type of aircraft for use in domestic air service, together with other facts in the case, be especially considered by the Board in determining the nature and scope of any order which may be entered. It urges further that the Board's approval, if granted be bottomed upon the fact that Hughes Tool is not now engaged in the manufacture of aircraft or aircraft parts for commercial use, and suggests that the Board reserve jurisdiction in the proceeding for the purpose of reconsideration in the event that this condition change in the future. Applicant in response asserts that the restraint referred to would exist whether or not Hughes Tool has control and, contending that the Constellation type of aircraft is primarily an engineering development of and for T.A., believes the restraint is usual, appropriate and reasonable. As an alternative it suggests that if any condition is attached to the Board's approval, applicant be required to return for further consideration only if Hughes Tool enters commercial production of aircraft or aircraft parts and T.A. undertakes to purchase them.

On brief Public Counsel recommends that the Board approve the acquisition of control herein upon elaborate conditions. He would provide that the approval terminate in the event that either Hughes Tool or Howard R. Hughes engage directly or indirectly in the production or disposition of aircraft or aircraft parts for use in interstate, overseas or foreign air transportation, excepting from this condition, however, the 25 Lockheed Constellation airplanes as to which Hughes Tool now holds the right of repurchase from the United States through T.A. He would also provide that no compensation shall be paid to Hughes by T.A. for any participation by him as aeronautical engineer in the development or design of aircraft or aircraft parts; and that Hughes shall not attempt directly or indirectly to influence the air carrier in its decision to purchase aircraft or aircraft parts in the development or design of which Hughes may have participated to a substantial degree. The apparent intent of the condition is to restrain Hughes or Hughes Tool directly, or by indirection through any associate or affiliate from engaging in any manner in the manufacture, production, or disposition of any item of property which goes or might go into the creation of aircraft susceptible of use for commercial air transport. On pain of forfeiture of the Board's approval subjecting applicant to the penalties of the Act, the condition as proposed effectively could stifle research and development work even of the character of that which Hughes Tool has heretofore performed. Considering that the applicant took immediate exception to the proposal of the Department of Justice as being too restrictive, it is reasonable

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It would hardly be consistent with the public interest for TAA to be prevented from taking reasonably limited advantage of the benefits which might result from the research and development work of the controlling industry, if that corporation should at some future time undertake to manufacture articles useful in commercial air transportation. Applicant suggests that any condition attached by the Board to its approval provide that if Hughes Tool Company should commence the manufacture of aircraft or aircraft parts suitable for commercial use and that if TAA should desire to acquire such aircraft or aircraft parts, then TAA and Hughes Tool should be required to return to the Board for further hearing upon continuation of the relations between TAA and Hughes Tool. It insists that such a condition would permit applicant to know exactly where it stands and yet provide all the protection of the public interest contemplated by section 403 in the case of relationships between the manufacturer and an air carrier.

Mr. Hughes is an acknowledged expert in some phases of aviation. Unreasonable restrictions might, and probably would, result in depriving the air carrier of the benefit of his advice. It is possible that the experimental and development work of the applicant in its behalf or in behalf of Mr. Hughes himself, if continued, may result in the development, and possibly manufacture of one or more parts of aircraft of major benefit not only to the applicant but to the entire air transport industry. Such a possibility should not be prevented by placing in jeopardy the large investment made in the air carrier. The object of any condition to the continued control of TAA by the air carrier inserted at this time in the authority granted by the Board should be to protect the public interest from infringement by any attempt either to give TAA an unfair competitive advantage or to subject it to unreasonable demands through the influence of the controlling industry. This can be accomplished by a reasonable limit upon commercial transactions between the acquirer and the acquired which may be had without further consideration in this proceeding by the Board.

It is recommended that the Board find that control of Transcontinental & Western Air, Inc., by Hughes Tool Company is not inconsistent with the public interest so long as commercial transactions between the two or between TAA and any affiliate or subsidiary of Hughes Tool is limited to aircraft parts or accessories, the complete item price of which does not exceed \$25 each, with the further limitation that the total annual expenditure therefor by either party shall not exceed \$10,000. It should be provided further that the Board shall retain jurisdiction in this proceeding to take appropriate action, upon breach of this condition or upon petition for waiver thereof in any manner whatsoever, and that the restriction shall not affect the existing contractual right of applicant to reacquire Constellation aircraft through TAA.

4513

before the
CIVIL AERONAUTICS BOARD
Washington, D. C.

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In the Matter of the Application of :
HUGHES TOOL COMPANY :
for approval under Section 408 of the : Docket No. 1182
Civil Aeronautics Act of 1938, as :
amended, of the acquisition of control :
of :
TRANSCONTINENTAL & WESTERN AIR, INC. :
----- X

MOTION FOR APPROVAL OF PURCHASE OF
TWO CONSTELLATION AIRPLANES

Transcontinental & Western Air, Inc., a Delaware corporation (herein referred to as "TWA"), respectfully moves the Board to enter an order herein approving the contemplated sale by Hughes Tool Company to TWA of two Lockheed Constellation airplanes bearing Manufacturer's Serial Nos. 049-1969 and 049-1970, which Hughes Tool Company now owns, and that the Board modify its order approving the acquisition by Hughes Tool Company of control of TWA, Order Serial No. 3210, issued October 17, 1944, as amended by Order Serial No. 4437, issued January 26, 1946 and Order Serial No. E 922, issued October 29, 1947, so as to permit the sale of such aircraft.

IN SUPPORT OF SUCH MOTION, TWA shows to the Board:

1. By agreement dated as of October 1, 1948, a copy of which is attached hereto as "Exhibit 1", Hughes Tool Company has agreed to sell and TWA has agreed to purchase, subject to the approval herein requested and to the other conditions set forth in such agreement, the two Constellation airplanes above referred to at the cost of said airplanes to Hughes Tool Company, which cost is not to exceed an aggregate price of \$1,050,000, all as more particularly set forth in such agreement.

2. Hughes Tool Company acquired airplane Serial No. 049-1969 from the United States Government through TWA pursuant to rights reserved by TWA and Hughes Tool Company in connection with the sale by TWA of such airplane to the Army Air Force during the War. Hughes Tool Company purchased airplane Serial No. 049-1970 from Lockheed Aircraft Corporation. Airplane No. 049-1970 has been and No. 049-1969 is in the process of being converted by Lockheed Aircraft Corporation from military to commercial versions including complete overhaul and modification to meet current CAA requirements in the air transport category.

In support of the foregoing, the affidavit of Frank M. McDonnell is attached hereto as "Exhibit 2" and by this reference made a part hereof.

3. Said airplanes are to be used by TWA on a no-charge basis pending action of the Board on this motion, in accordance with the Board's letter of October 6, 1948, a copy of which is attached hereto as "Exhibit 3".

4. As will more particularly appear from the affidavit of Warren Lee Pierson attached hereto as "Exhibit 4" and by this reference made a part hereof, said airplanes are required by TWA for use in its domestic operations; the manufacture of airplanes of this model has been discontinued; TWA has recently purchased twelve Lockheed Model 749 Constellation airplanes for a price of approximately \$910,000 per airplane; and the price to be paid by TWA to Hughes Tool Company for said airplanes is substantially below the price paid by TWA for airplanes of the same model purchased by it from Lockheed Aircraft Corporation in May of 1947.

WHEREFORE, TWA respectfully moves the Board to enter an order herein approving the sale by Hughes Tool Company to TWA of two Lockheed Constellation airplanes as hereinbefore set forth,

and for such other and further relief as may be appropriate.

Respectfully submitted,

TRANSCONTINENTAL & WESTERN AIR, INC.

By Wm. P. Quinn
Chairman of the board

Chadbourne, Wallace, Parke & Whiteside,
25 Broadway,
New York 4, N. Y.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:.

WARREN LEE PIERSON, being duly sworn, deposes and says that he is Chairman of the Board of TRANSCONTINENTAL & WESTERN AIR, INC.; that he has read and is familiar with the contents of the foregoing motion and the exhibits attached thereto; that he intends and desires that in granting or denying the relief requested, the Board shall place full and complete reliance upon the accuracy of each and every statement therein contained; that he is familiar with the facts therein set forth; that to the best of his information and belief every statement contained in the motion is true and no such statement is misleading.

Warren Lee Pierson

Subscribed and sworn to
before me this 21st day
of October, 1948.

Dorothea A. O'Brien
Notary Public

DOROTHEA A. O'BRIEN
NOTARY PUBLIC in the State of New York
Residing in Kings County
New York State Bar No. 111, Exp. No. 10000
N.Y. Commission Expires Feb. 17, 1950
Notary Public License No. 1240

Exhibit "1"

SALES AGREEMENT

THIS AGREEMENT, made and executed in duplicate as of the first day of October, 1948, by and between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called "Seller"), with its principal place of business at Houston, Texas, and TRANS-CONTINENTAL & WESTERN AIR, INC., a Delaware corporation (hereinafter sometimes called "Buyer"), with its principal place of business at Kansas City, Missouri:

W I T N E S S E T H :

WHEREAS, Seller desires to sell and Buyer desires to purchase two Lockheed Model 49 Constellation type airplanes which Seller now owns or has contracted to purchase;

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

1. Seller shall sell and deliver to Buyer and Buyer shall purchase and accept delivery of two Lockheed Model 49 airplanes bearing Lockheed Serial Nos. 049-1969 and 049-1970. At the time of delivery said airplanes shall physically conform to the airplane description contained in the Lockheed Report No. B-5470-7 dated May 21, 1948, as modified by Contracts Nos. LD-45 and LD-46 dated February 3, 1948, between Seller and Lockheed Aircraft Corporation; copies of said Report and Contracts have been examined by and are in the possession of Buyer. It is understood that Seller makes no warranties whatsoever regarding said airplanes but that Buyer accepts in lieu thereof the obligations of Lockheed Aircraft Corporation as set forth in said Contracts, which obligations Lockheed Aircraft Corporation has agreed shall run in favor of Buyer as evidenced by instrument attached hereto, marked "Exhibit A", and hereby made a part hereof, and Seller hereby assigns to Buyer Seller's rights under said contracts after aircraft delivery thereunder.

2. Each of said airplanes shall be delivered to Buyer by Seller and Buyer shall accept delivery thereof at Los Angeles Municipal Airport, or such other place as may be mutually agreed upon, as soon as is practicable after the airplanes have been completed by Lockheed Aircraft Corporation and approval to this sale is granted by the Civil Aeronautics Board.

3. The sales price of each airplane shall be the cost thereof to Hughes Tool Company and for the purposes of this agreement shall be established at FIVE HUNDRED FORTY THOUSAND DOLLARS (\$540,000.00), subject to the following provision: at such time as the total cost of both airplanes is finally determined, based on the books and records of the Hughes Aircraft Company Division of Hughes Tool Company, any variation from said established price shall be promptly paid by the Buyer or refunded by the Seller, as the case may be, provided that in no event shall said sales price exceed an average of FIVE HUNDRED FORTY-FIVE THOUSAND DOLLARS (\$545,000.00) per airplane. Payment thereof shall be made by Buyer to Seller in consecutive monthly installments in the amount of NINE THOUSAND DOLLARS (\$9,000.00) or more. The first of such payments relating to each airplane shall be made at the time of the delivery of such airplane, and one of the remaining payments shall be made each calendar month thereafter, in accordance with the promissory note hereinafter provided for, until the whole of the sales price shall have been paid. Buyer's obligation to make the payments, after the first payment, relating to each of said airplanes, shall be evidenced by a negotiable installment promissory note dated, at Los Angeles, California, as of the date of the delivery of such airplane, payable to Seller or order by Buyer and bearing interest on the principal thereof at the rate of Two Per Cent (2%) per annum, payable monthly. Such note shall provide for the payment of the principal in consecutive monthly payments of NINE THOUSAND DOLLARS (\$9,000.00) or more, commencing one month after the delivery of such airplane.

Such promissory note shall be executed and delivered by Buyer to Seller at the time of the delivery of such airplane, and shall be in the form of "Exhibit B", attached hereto, and by this reference made a part hereof. The promissory note relating to each airplane shall be secured by a Chattel Mortgage, covering such airplane, which shall be a first lien on such airplane and shall be substantially in the form of the Chattel Mortgage entered into by and between Buyer and Lockheed Aircraft Corporation as of May 12, 1947, and the Supplemental Chattel Mortgage dated May 15, 1947, both relating to airplanes sold to Buyer under the terms of a certain Sales Agreement, designated as Contract No. LD-33, dated March 27, 1947, between Buyer and Lockheed Aircraft Corporation. Upon the happening of any one or more of the following events, namely:

- (a) The breach on the part of the Buyer of any covenant or agreement of the Chattel Mortgage to be observed, done or performed by the Buyer;
- (b) The occurrence of any event of default as provided in the Chattel Mortgage;
- (c) Failure to make payment when due, and within five (5) days after demand in writing is made for payment, of the principal or of any interest of any promissory note hereinbefore referred to;

then the unpaid principal and accrued interest of both of such promissory notes shall become immediately due and payable without demand and without notice, and Buyer agrees forthwith to pay the same; or

- (d) If Buyer shall divest itself, or be divested, in whatsoever manner, of title to either such airplane; or

- (e) If either such airplane is lost, destroyed or damaged beyond repair;

then the unpaid principal, and accrued interest thereon, of the promissory note relating to such airplane shall become immediately due and payable without demand or notice and Buyer agrees forthwith

to pay the same. Each successive holder of each such promissory note shall have the benefit of, and may enforce the rights contained in, the foregoing provisions relating to the acceleration of maturity of such promissory note. The provisions hereof and any contained in the applicable Chattel Mortgage relating to the acceleration of the maturity of such note shall be deemed to be cumulative and not exclusive and the existence of such provisions in either instrument shall not preclude the exercise of any right set forth in the other. All payments made pursuant to this agreement shall be made in lawful money of the United States of America or by check drawn upon, and duly certified by, a member bank of the United States Federal Reserve System and payable in such money, and, unless otherwise provided, at Seller's office in Houston, Texas.

4. Buyer shall furnish Seller forthwith, and from time to time thereafter at reasonable intervals and in any event upon request at such time or times as Seller shall be engaged in offering to sell or discount either or both of said promissory notes to a bank or other prospective purchaser, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower or prospective borrower therefrom. Seller shall hold such information in confidence except to the extent it reasonably deems it necessary to divulge the same to such bank or prospective purchaser in connection with the sale or discount of such note or notes.

5. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the airplanes or in connection with the modification thereof by Lockheed Aircraft Corporation under said Contracts LD-45 and LD-46, then in addition to the sales price provided for in section 3, Buyer shall pay to Seller the amount thereof, upon demand.

6. This agreement shall not be effective for any purpose

unless and until the buyer has secured all consents and approvals to the extent required under or by reason of any prior commitment in order to avoid Buyer's execution of this instrument as constituting a default thereunder.

7. This agreement is entered into subject to the approval of the sale herein provided for by the Civil Aeronautics Board and in the event such approval is not granted within sixty (60) days from the date hereof, this agreement shall be deemed to be ineffective for any purpose.

8. Upon the securing of all the consents and approvals hereinbefore referred to, this agreement shall become binding and effective as of the day and year first above written.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By Roch Oltrich
Executive Vice President

TRANSCONTINENTAL & WESTERN AIR, INC.

By Warren Lee Pierson
Chairman of the Board

Orders
Serial Number 2-2234

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 27th day of January, 1949.

In the matter of the application of

HUGHES TOOL COMPANY

for approval under section 403 of the
Civil Aeronautics Act of 1948, as
amended, of the acquisition of control
of

Docket No. 1162

TRANSCONTINENTAL & WESTERN AIR INC.

ORDER MODIFYING ORDER APPROVING ACQUISITION

A motion having been filed by Hughes Tool Company for an order
modifying Order Serial No. 3210 issued October 17, 1944 in this docket,
as amended by Order Serial No. 4437 issued January 26, 1946, as
modified by Order Serial No. E-922 issued October 29, 1947, so as to
permit the sale of two Lockheed Constellation airplanes bearing
manufacturer's Serial Nos. 049-1969 and 049-1970 by Hughes Tool
Company to Transcontinental and Western Air, Inc. ("TWA") pursuant
to the terms and conditions of the sales agreement dated October 1, 1948,
as amended by agreement of December 1, 1948, between said parties; and

The Board, acting pursuant to the powers vested in it by the
Civil Aeronautics Act of 1938, as amended, particularly 20(a), 468

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and 1005(d) thereof, and finding that the further modification of its order in Docket No. 1182, as amended and modified, hereinafter provided for is just and reasonable and is in the public interest;

IT IS ORDERED THAT:

Order Serial No. 3210 issued October 17, 1944, as amended by Order Serial No. 4437 issued January 26, 1946, as modified by Order Serial No. E-922 issued October 29, 1947, be and it hereby is modified by adding thereto the following:

"5. That the terms of this order shall not restrict the right of Hughes Tool Company to sell to TWA or the right of TWA to purchase from Hughes Tool Company two Lockheed Constellation airplanes bearing manufacturer's Serial Nos. C49-1569 and C49-1979, pursuant to the terms and conditions of the sales agreement dated October 1, 1948, as amended by an agreement dated December 1, 1948, between said parties, provided that the sale shall be reported to the Board in the manner provided in paragraph 2 of the order, and provided further that nothing in the Board's action herein shall be construed as a determination that the equipment here involved is required by TWA in the interest of commerce, the postal service, or the national defense or that the cost thereof to TWA is appropriate for investment and/or rate-making purposes."

By the Civil Aeronautics Board:

/s/ H. C. Halligan

H. C. Halligan
Secretary

(SEAL)

Before the
CIVIL AERONAUTICS BOARD

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In the Matter of the Application of :
HUGHES TOOL COMPANY :
for approval under Section 403 of the : Socket No. 1182
Civil Aeronautics Act of 1938, as :
amended, of the acquisition of control :
of :
TRANSCONTINENTAL & WESTERN AIR, INC. :
----- X

NOTION FOR APPROVAL OF PURCHASE OF
SIA CONSTELLATION AIRPLANES

Transcontinental & Western Air, Inc., a Delaware corporation (herein referred to as "TWA"), respectfully moves the Board to enter an order herein approving the contemplated sale by Hughes Tool Company to TWA of six Lockheed Constellation Model 049 airplanes bearing Manufacturer's Serial Nos. 2072, 2073, 2074, 2075, 2070 and 2084, which Hughes Tool Company now owns or has contracted to purchase and that the Board modify its order approving the acquisition by Hughes Tool Company of control of TWA, Order Serial No. 3210, issued October 17, 1944, as amended by Order Serial No. 4437, issued January 26, 1946, Order Serial No. E 922, issued October 29, 1947, and Order Serial No. E-2404, issued January 27, 1949, so as to permit the sale of such aircraft.

IN SUPPORT OF SUCH MOTION, TWA shows to the Board:

1. By agreement dated as of February 2, 1950, a copy of which is attached hereto as "Exhibit 1", Hughes Tool Company has agreed to sell, on a conditional sale basis,

and TWA has agreed to purchase, subject to the approval herein requested and to the other conditions set forth in such agreement, the six Constellation airplanes above referred to at the cost of said airplanes to Hughes Tool Company less, in the case of one airplane to be used temporarily by Hughes Tool Company, depreciation at the rate of 1/34 per month, all as more particularly set forth in such agreement.

2. These airplanes are being acquired by Hughes Tool Company, four from Air France and two from Lockheed Aircraft Corporation, to assist TWA in increasing its fleet of aircraft. TWA has been endeavoring to purchase additional Constellation airplanes when the availability of these six aircraft was discovered by Hughes Tool Company while it was investigating the possibility of obtaining the use of one Constellation airplane for temporary use for test purposes. Hughes Tool Company immediately advised TWA that these six airplanes were available.

3. The contracts for the purchase of these airplanes were entered into directly by Hughes Tool Company to assist TWA in acquiring such airplanes. It is impossible for TWA to acquire aircraft without obtaining prior consents or waivers under various financial agreements it has entered into in the past. The indenture of December 1, 1945, as amended, between TWA and The Commercial National Bank and Trust Company of New York, as Trustee, covering the Debentures held by The Equitable Life Assurance Society of the United States, prohibits, under present conditions, the acquisition by TWA of any new aircraft without the consent of the holders of the Debentures. The Chattel Mortgage of August 4, 1949 from TWA to Mellon National Bank and

Trust Company, as trustee, prohibits borrowings, mortgaging of aircraft, or acquisition of aircraft by conditional sales agreement except after thirty days' written notice by TWA to, and negotiations with, the Lending Banks under such mortgage. Because it would be necessary for TWA to obtain additional financing to acquire these six airplanes, TWA could not have entered into arrangements for their purchase without complying with or obtaining consents or waivers under both of these agreements. By contracting to purchase these airplanes immediately Hughes Tool Company insured that they would be available to TWA upon the completion of the necessary clearances under these agreements.

4. In addition, by selling these airplanes to TWA on a conditional sale basis on the terms outlined in Exhibit 1, Hughes Tool Company is providing TWA with financial arrangements on better terms than could otherwise be available. Under the bank Credit Agreement which TWA has arranged for the financing of the 20 Constellation Model 749A aircraft which it has contracted to purchase from Lockheed Aircraft Corporation, TWA will pay interest at the rate of 3% per annum and will pay over 35% of the purchase price of the Constellation 749A airplanes from its own funds. Interest payable to Hughes Tool Company is 2-1/2% per annum and the initial payment required is only 16% of the purchase price.

5. Five of the six airplanes are to be used by TWA on a no-charge basis after acquisition thereof by Hughes Tool Company, pending action of the Board on this motion. The sixth airplane, to be selected by TWA, is to be delivered to TWA by Hughes Tool Company on or before

August 31, 1950 after the completion of certain test flights by Hughes Tool Company.

6. The six airplanes are required by TWA for use in its domestic and international operations. The manufacture of Model 049 Airplanes has been discontinued and therefore no such airplanes are available from the manufacturer. TWA is to pay Hughes Tool Company only the price which Hughes Tool Company has paid Air France or Lockheed Aircraft Corporation, as the case may be, for such aircraft, plus such incidental expenses as Hughes Tool Company may incur in connection with purchasing these aircraft for TWA's account. With respect to the one aircraft that is to be used by Hughes Tool Company for a temporary period, the sales price to be paid by TWA is to be reduced by depreciation on the basis of a seven-year life. The purchase price of the 20 Lockheed Model 749A Constellation airplanes which TWA has recently contracted to purchase is approximately \$930,000 per airplane.

7. The addition of these six airplanes to TWA's present fleet will permit increased Constellation service and increase revenue mileage and will thus improve TWA's service to the public. It will also enable TWA to increase its gross revenues, improve its cash position in the immediate future and improve TWA's earning position. Because the six airplanes being acquired are of the same model as TWA's present domestic Constellation fleet, such increased service and revenue can be achieved with relatively little increase in overhead expenses, maintenance equipment or spare parts inventories.

WHEREFORE, TWA respectfully moves the Board to

enter an order herein approving the sale by Hughes Tool Company to four of six Lockheed Constellation airplanes as hereinbefore set forth, and for such other and further relief as may be appropriate.

Respectfully submitted,

TRANSCONTINENTAL & WESTERN AIR, INC.

By

Warren F. Carson

Chadbourne, Wallace, Parke & Whiteside,
25 Broadway,
New York 4, N. Y.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Harvey Lee Pearson, being duly sworn, deposes
and says that he is *chairman of the Board*
of THE CONFIDENTIAL & WESTERN AIR, INC.; that he has read
and is familiar with the contents of the foregoing motion
and the exhibit attached thereto; that he intends and
desires that in granting or denying the relief requested,
the Board shall place full and complete reliance upon the
accuracy of each and every statement therein contained;
that he is familiar with the facts therein set forth;
that to the best of his information and belief every
statement contained in the motion is true and no such
statement is misleading.

Harvey L. Pearson

Subscribed and sworn to
before me this 27th day
of February, 1950.

David Whafar
Notary Public

DAVID WHAFAR
Notary Public, State of New York
Resides in Bronx County
New York City, N.Y. No. 121
N.Y. Co. City No. 42, Exp. No. 175-88
Comm. on Expiry March 24, 1952

SALPS AGREEMENT

This agreement, made and executed in duplicate as of the 2nd day of February, 1950, by and between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called "Seller"), with its principal place of business at Houston, Texas, and TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation (hereinafter sometimes called "Buyer"), with its principal place of business at Kansas City, Missouri.

W I T N E S S E T H :

1. Seller agrees to sell to buyer and Buyer agrees to purchase the six Lockheed Model 049 Constellation airplanes described below (hereinafter sometimes referred to as the "Airplanes"), upon the terms and conditions hereinafter set forth:

(a) Four Model 049 Lockheed Constellation airplanes, Manufacturer's Serial No. 2072, No. 2073, No. 2074, and No. 2075, including related conversion kits, complete and in the condition delivered to Seller pursuant to the agreement between Compagnie Nationale Air France and Seller dated January 11, 1950, a copy of which is attached hereto and by this reference made a part hereof, such airplanes being sometimes referred to as the Air France Airplants and such agreement being referred to as the Air France Agreement.

(b) Two Model 049 Lockheed Constellation airplanes, Manufacturer's Serial No. 2070 and No. 2084, including related conversion kits,

complete and in the condition delivered to Seller pursuant to the agreement between Lockneer Aircraft Corporation and Seller dated January 13, 1950, as amended, a copy of which agreement, as amended, is attached hereto and by this reference made a part hereof, such airplanes being, sometimes referred to as the KLM Airplanes and such agreement, as so amended, being referred to as the Lockneer Agreement.

If Seller does not accept delivery from Lockneer Aircraft Corporation of the Airplane bearing manufacturer's Serial No. 2034, this agreement shall be deemed to be cancelled with respect to such Airplane and neither party shall have any further obligation or liability to the other hereunder or otherwise with respect to such Airplane.

It is understood that Seller makes no warranties whatsoever regarding the airplanes but will convey to Buyer all Seller's right and interest with respect to all manufacturers' warranties and guarantees acquired by Seller pursuant to the Air France Agreement.

2. Each of the Airplanes shall be delivered to Buyer by Seller and Buyer shall accept delivery thereof at Newark Airport, Newark, New Jersey, or such other airport as may be agreed upon. One of the Airplanes, to be designated by written notice from Buyer to Seller (herein sometimes referred to as the "Designated Airplane") shall be delivered by Seller to Buyer on or before August 31, 1950 upon five (5) days' prior written notice from Seller to Buyer, subject to the prior fulfillment of the conditions specified in paragraph 9 hereof. The

Airplanes, other than the Designated Airplane, shall be delivered by Seller to Buyer as soon as practicable after each such Airplane shall be delivered to Seller by Compagnie Nationale Air France or Lockheed Aircraft Corporation, as the case may be, and after all conditions specified in paragraph 9 hereof shall have been fulfilled.

3. The purchase price of each Airplane, other than the Designated Airplane, shall be the price therefor which Seller shall have paid Compagnie Nationale Air France, pursuant to the Air France Agreement, or Lockheed Aircraft Corporation, pursuant to the Lockheed Agreement, as the case may be, plus such direct out-of-pocket costs and expenses, if any, incurred by Seller in accepting delivery, storing and effecting delivery to Buyer (including insurance or ferry charges connected with any of the foregoing) and any costs incurred by Seller in modifying such Airplane pursuant to paragraph 8 hereof. The purchase price of the Designated Airplane shall be the price therefor which Seller shall have paid Compagnie Nationale Air France, pursuant to the Air France Agreement, or Lockheed Aircraft Corporation, pursuant to the Lockheed Agreement, as the case may be, plus such direct out-of-pocket costs and expenses, if any, incurred by Seller in accepting delivery and effecting delivery to Buyer (including insurance or ferry charges connected with either of the foregoing) and any costs incurred by Seller in modifying such Airplane pursuant to paragraph 8 hereof, less depreciation at the rate of one eighty-fourth of the sales price paid by Seller per month from the date of acquisition by Seller to the date of delivery by Seller to Buyer hereunder. Payment for each Airplane shall be

made in the following manners:

(a) \$100,000, plus any modification costs paid by Seller pursuant to paragraph 8 hereof, in cash, upon the delivery of each airplane to Buyer hereunder;

(b) the balance of the purchase price shall be paid by Buyer to Seller in sixty equal consecutive monthly installments, together with interest on the unpaid balance at the rate of two and one-half percent ($2\frac{1}{2}\%$) per annum. The first of such payments relating to each airplane shall be made on the first day of the month following the delivery of said airplane and one of the remaining payments shall be made on the first day of each month thereafter until the whole purchase price shall have been paid.

4. Title to the Airplanes shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes shall pass to Buyer. The respective rights of Buyer and Seller to the Airplanes shall be more specifically set forth in one or more conditional sales agreements covering such airplanes in form satisfactory to Buyer and Seller. Each such agreement shall include provisions that upon the happening of any one or more of the following events, namely:

(a) the breach on the part of the Buyer or any covenant or agreement contained herein or in such conditional sales agreement to be observed, done or performed by the Buyer;

(b) the occurrence of any event of default as provided in such conditional sales agreement;

(c) failure to make payment when due, and within five (5) days after demand in writing is made for payment, of any monthly installment of the purchase price of the Airplanes pursuant to paragraph 3;

then Seller may at once (or at any later time) proceed to take possession of the Airplanes in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes may be and take possession thereof and remove the same. Seller may resell the Airplanes, so retaken, at public or private sale, with or without having the Airplanes at the place of sale, and upon such terms and in such manner as Seller may determine. Notice of the intention of Seller to so sell the Airplanes shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale, Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes, including any reasonable attorney's fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane falling due

after Seller has taken possession of such Airplane pursuant to this provision.

From and after delivery of the Airplanes to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes, Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in an amount at least sufficient to cover the then unpaid portion of the purchase price of the Airplanes. If any such Airplane shall be lost, destroyed or damaged to such an extent that repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of such airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplanes falling due after such loss, destruction or damage. Any insurance proceeds in excess of such amount, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

Buyer may at any time pay to Seller the unpaid

balance of the purchase price of the Airplanes, or any part thereof, without premium or penalty.

Upon the payment to Seller of the balance of the purchase price of the Airplanes together with all other amounts owing to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate (1) a bill of sale duly vesting in Buyer the title to the Airplanes acquired by Seller under the Air Finance Agreement or the Leased Agreement, as the case may be, free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of such Airplanes to Seller and not arising out of the possession, use or operation of the Airplanes by Buyer, and (2) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

5. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower or prospective borrower therefrom.

6. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the airplanes or the purchase thereof by Seller (other than the use by Seller of the Designated airplane prior to delivery thereof to Buyer pursuant to paragraph 4 hereof), then in addition to the sales price provided for in paragraph 3, Buyer shall pay Seller the amount thereof, upon demand. Buyer agrees to indemnify

and hold harmless Seller from any liabilities, costs or expenses to which Seller may become subject because of paragraph 4 of the Air France Agreement or because of paragraph 3(b) of the Lockheed Agreement.

7. Upon the written request of Seller and the written consent of Buyer, either before or after the delivery to Seller of any of the Airplanes, pursuant to the Air France Agreement or the Lockheed Agreement, Buyer shall take physical custody thereof pending fulfillment of the conditions specified in paragraph 9 hereof and during such interim period Buyer may store, use or modify such Airplanes consistent with the terms of such request and consent, carrying such insurance coverage as may reasonably be specified in such request and consent.

8. Upon the written request of Buyer and the written consent of Seller, either before or after the delivery to Seller of any of the Airplanes, pursuant to the Air France Agreement or the Lockheed Agreement, and pending or subsequent to the fulfillment of the conditions specified in paragraph 9 hereof, modification of any of the Airplanes may be undertaken by either Buyer or Seller or through a contractor to the extent and in the manner specified in such request and consent to the end that upon completion thereof such Airplanes may be most appropriate for the use of Buyer.

9. This Agreement is subject to the fulfillment of each and all of the following conditions on or before April 1, 1950 or such extension of such date as may be agreed upon in writing:

(a) any approval, consent or clearance of the C.A.B. which may be required pursuant to the Civil Aeronautics Act of 1938, as amended;

(b) any approvals, consents, clearances or waivers which may be required under the existing agreements of Buyer with the Equitable Life Assurance Society of the United States and with various lending banks.

This Agreement shall not be effective for any purpose unless and until Buyer has secured all such approvals, consents, clearances or waivers. Buyer shall furnish evidence, satisfactory to Seller, of all approvals, consents, clearances or waivers required under subdivision (b) of this paragraph 9 within thirty (30) days from the date of the approval of the Civil Aeronautics Board pursuant to subdivision (a) of this paragraph 9.

10. Upon the securing of the approvals, consents, clearances and waivers required by paragraph 9 hereof, this Agreement shall become binding and effective as of the day and year first above written.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By

/s/ Lynn Dietrich

TRANSCONTINENTAL & WESTERN AIR, INC.

By

/s/ A. V. Leslie
Vice President & Treasurer

Orders
Serial Number E-160

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 12th day of May, 1950.

In the matter of the application of

HUGHES TOOL COMPANY,

for approval under section 103 of the
Civil Aeronautics Act of 1938, as amended,
of the acquisition of control of

TRANSCONTINENTAL & WESTERN AIR, INC.

Docket No. 1182

ORDER MODIFYING ORDER APPROVING ACQUISITION

A motion having been filed by Hughes Tool Company for an order modifying Order Serial No. 3210 issued October 17, 1944 in this docket, as amended by subsequent orders, so as to permit the sale of six Lockheed Constellation airplanes bearing manufacturer's Serial Nos. 049-2672, 049-2673, 049-2674, 049-2675, 049-2676 and 049-2684 by Hughes Tool Company to Transcontinental & Western Air, Inc. ("TWA") pursuant to the terms and conditions of the sales agreement dated February 2, 1950; and

The Board, acting pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 103(a) and 103(d) thereof, and finding that the further modification of its order in Docket No. 1182, as amended and modified, hereinafter provided for is just and reasonable and is in the public interest;

- 2 -

IT IS ORDERED THAT:

Order Serial No. 3210 issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended by adding thereto the following:

"6. That the terms of this order shall not restrict the right of Hughes Tool Company to sell to TFL or the right of TFL to purchase from Hughes Tool Company six Lockheed Constellation airplanes bearing manufacturer's Serial Nos. C49-2072, C49-2073, C49-2074, C49-2075, C49-2070 and C49-2064, pursuant to the terms and conditions of the sales agreement dated February 2, 1950, between said parties, provided that the sale shall be reported to the Board in the manner provided in paragraph 2 of this order, and provided further that nothing in the Board's action herein shall be construed as a determination that the equipment here involved is required by TFL in the interest of commerce, the postal service, or the national defense or that the cost thereof to TFL is appropriate for investment and/or rate-making purposes."

By the Civil Aeronautics Board:

/s/ H. C. Halligan

H. C. Halligan
Secretary

(SEAL)

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X

In the Matter of the Application of :
 HUGHES TOOL COMPANY :
 for approval under Section 408 of : Docket No. 1182
 the Civil Aeronautics Act of 1938, :
 as amended, of the acquisition of :
 control of :
 TRANS WORLD AIRLINES, INC. :
 ----- X

MOTION FOR APPROVAL OF TRANSACTIONS

TRANS WORLD AIRLINES, INC., a Delaware corporation (herein referred to as "TWA"), respectfully moves that the Board enter an order herein approving (1) the proposed sale by TWA to Hughes Tool Company (herein referred to as "Hughes"), of one Martin Model 404 Airplane pursuant to an agreement dated December 4, 1950 between TWA and Hughes, a copy of which is attached hereto as Exhibit A, (2) the proposed financing by TWA through Hughes of the final instalment of the purchase price of four Lockheed Constellation Model 749A Airplanes by means of a conditional sales contract between TWA and Hughes pursuant to an agreement dated March 2, 1951 between TWA and Hughes, a copy of which is attached hereto as Exhibit B, and an agreement dated March 2, 1951 between TWA, Hughes and Lockheed Aircraft Corporation (herein referred to as "Lockheed"), a copy of which is attached hereto as Exhibit C, (3) the proposed sale by TWA to Hughes of one Lockheed Constellation Model 749A Airplane pursuant to the agreement dated March 2, 1951 between TWA and Hughes, attached hereto as Exhibit D to

Exhibit B, and (4) the agreements between TWA, Hughes and The Equitable Life Assurance Society of the United States (herein called "Equitable"), copies of which are attached hereto as Exhibits D and E; and that the Board modify its order approving the acquisition by Hughes of control of TWA, Order Serial No. 321C, issued October 17, 1944, as amended, so as to permit the performance of such transactions and agreements.

In support of such motion, TWA shows to the Board:

A. Sale of Martin Airplane

1. By contract dated February 22, 1950, TWA contracted to purchase from The Glenn L. Martin Company 30 Martin Model 404 Airplanes. This contract, referred to as Contract No. 1116, was amended by Contract Change Order No. 4 to provide for the purchase by TWA of an additional 11 Martin Model 404 Airplanes. One of such airplanes was ordered by TWA at the request of and for the account of Hughes. TWA has agreed to sell this airplane to Hughes, subject to approval of the Board, by agreement dated December 7, 1950, a copy of which is attached hereto as Exhibit A.

2. Under such agreement Hughes will pay to TWA all costs incurred by TWA in connection with the purchase of this airplane from The Glenn L. Martin Company and the sale thereof to Hughes.

3. This airplane was included in Contract No. 1116 for the convenience of all the parties to the transaction and so as not to complicate the arrangements under which The Glenn L. Martin Company obtained credit to finance the manufacture of the Model 404 Airplanes and under which TWA and Eastern Air Lines at the same time obtained security for their advance payments made to The Glenn L. Martin Company.

4. The purchase by Hughes of a Martin Model 404 Aircraft is of potential benefit to TWA in that under Contract

No. 1116 the purchase price of each airplane purchased by TWA is reduced by \$12,500 if The Glenn L. Martin Company manufactures more than 100 of such airplanes in continuous production.

B. Financing of Four Lockheed Constellation Model 749 Airplanes

5. By contract dated March 2, 1951 between TWA and Hughes, a copy of which is attached hereto as Exhibit B, Hughes has agreed in effect to finance the final instalment of the purchase price of Four Lockheed Constellation Model 749 Airplanes which TWA has agreed to purchase from Lockheed pursuant to Contract LD-60. Hughes has agreed to pay to Lockheed the second and final instalment of the purchase price of such airplanes and to sell such airplanes to TWA on a conditional sale basis, subject to the approval herein requested and to the other conditions set forth in such agreement. Lockheed has agreed to this transaction by an agreement dated March 2, 1951 between TWA, Hughes and Lockheed, a copy of which is attached hereto as Exhibit C.

6. Hughes is taking title to these four airplanes and selling them to TWA on a conditional sale basis solely for the purpose of enabling TWA to finance the acquisition of such airplanes. The terms and conditions of sale are substantially the same as those contained in the agreement dated as of February 2, 1950 between Hughes and TWA relating to the sale from Hughes to TWA of six Constellation Model 049 Airplanes on a conditional sale basis, which was approved by Board Order No. E-4160. The details of the arrangements between the parties are more specifically set forth in the conditional sale contract, a copy of which is attached as Exhibit I to Exhibit B.

7. TWA is to pay Hughes for these airplanes only the amounts which Hughes has paid to Lockheed, with interest

on the unpaid balance as provided in the conditional sale contract. Hughes is providing TWA with financing for the acquisition of these four airplanes on better terms than would otherwise be available to TWA.

8. These four airplanes are required by TWA for use in its domestic and international operations. The addition of these planes to TWA's present fleet will permit increased Constellation service and increased revenue mileage and will thus improve TWA's service to the public.

C. Sale of One Lockheed Constellation Model 749A Airplane

9. By contract dated May 31, 1949, referred to as Contract No. LD-6C, TWA contracted to purchase from Lockheed 20 Lockheed Constellation Model 749A Airplanes. Upon the exercise of options granted to TWA to purchase additional airplanes, Contract No. LD-6C was amended by Contract Change Order No. 9 to provide for the purchase by TWA of an additional six Lockheed Constellation Model 749A Airplanes. One of such airplanes was ordered by TWA at the request of and for the account of Hughes. TWA has agreed to sell this airplane to Hughes, subject to the approval of the Board, by agreement dated March 2, 1951, a copy of which is attached hereto as Exhibit B. The details of this transaction are set forth in the letter agreement dated March 2, 1951 attached thereto as Exhibit II.

10. Under such letter agreement Hughes will pay to TWA all costs incurred by TWA in connection with the purchase of this airplane from Lockheed and the sale thereof to Hughes.

11. This airplane was included in Contract No. LD-6C for the convenience of all the parties to the transaction. The purchase by Hughes of a Lockheed Constellation Model 749A Airplane is of substantial benefit to TWA in that under Contract No. LD-6C the purchase price of each airplane purchased

by TWA is reduced as the number of planes purchased thereunder is increased through the exercise by TWA of option rights.

D. Agreements for Sale of Capital
Stock of TWA.

12. By contract dated April 5, 1950 between Hughes, TWA and Equitable, TWA agreed that on or before December 31, 1951, it would sell sufficient shares of its unissued capital stock so that the net proceeds to it from such sale, after deducting underwriting commissions and other expenses of such issuance payable by it, should be at least \$5,000,000 and Hughes agreed that it would cause TWA to perform such agreement and that if such shares were not otherwise sold it would itself buy sufficient shares of the capital stock of TWA to provide such net proceeds or would lend to TWA \$5,000,000 evidenced by a subordinated note, all as more fully provided in such agreement (herein referred to as the "1950 Agreement"), a copy of which is attached hereto as Exhibit D.

13. By contract dated January 16, 1951 between Hughes, TWA and Equitable, TWA agreed that on or before December 31, 1952 it would sell sufficient shares of its unissued capital stock (in addition to stock to be sold pursuant to the 1950 Agreement) so that the net proceeds to it from such sale, after deducting underwriting commissions and other expenses of such issuance payable by it, should be at least \$5,000,000 and Hughes agreed that it would cause TWA to perform such agreement and that if such shares were not otherwise sold it would itself buy sufficient shares of the capital stock of TWA to provide such net proceeds or would lend to TWA \$5,000,000, evidenced by a subordinated note, all as more fully provided in such agreement (herein referred to as the "1951 Agreement"), a copy of which is attached hereto as Exhibit E.

14. Both agreements provide that the obligations of Hughes under such agreements are subject to the approval of

the Civil Aeronautics Board.

15. The execution of both the 1950 Agreement and the 1951 Agreement were essential parts of the transactions pursuant to which TWA arranged to purchase and finance new fleets of Martin and Constellation aircraft. The execution of the 1950 Agreement was made a condition precedent by Equitable to its consent to the purchase by TWA of 30 Martin Model 404 aircraft and to the creation of indebtedness, secured by a chattel mortgage on such aircraft, required to finance such purchase. The execution of the 1951 Agreement was made a condition precedent by Equitable to its consent to the purchase by TWA of 10 Lockheed Model 1049 Constellation Aircraft and to the creation of indebtedness, secured by a chattel mortgage on such aircraft, required to finance such purchase.

16. The 1950 Agreement and the 1951 Agreement were entered into by Hughes to enable TWA to purchase aircraft required by TWA and essential to its future operations. Their purpose is to aid TWA by providing it with additional equity capital, whether by sale of stock to others, by sale of all such stock to Hughes, by the purchase by Hughes of its pro rata share of stock offered to others or by means of a subordinated loan. The execution and performance of both these agreements will be of substantial benefit to TWA.

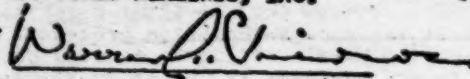
WHEREFORE, TWA respectfully moves the Board to enter an order herein approving (1) the sale by TWA to Hughes of one Martin Model 404 Airplane; (2) the financing by Hughes of four Lockheed Constellation Model 749A Airplanes; (3) the sale by TWA to Hughes of one Lockheed Constellation Model 749A Airplane; and (4) the agreements relating to the sale of stock of TWA attached hereto as Exhibits D and E, all as hereinabove set forth; and that the Board modify its order approving the acquisition by Hughes of control of TWA, Order Serial No. 3210, issued October 17, 1944, as amended, so as to permit the

performance of such transactions and agreements, and for such
other and further relief as may be appropriate.

Respectfully submitted,

TRANS WORLD AIRLINES, INC.

By



CHADBOURNE, PARKE, WHITESIDE, WOLFF & BROPHY,
Attorneys for
Trans World Airlines, Inc.,
25 Broadway,
New York 4, N. Y.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

WALTER LOR ANSON, being duly sworn, deposes
and says that he is CHAIRMAN OF THE BOARD OF DIRECTORS
of TRANS WORLD AIRLINES, INC.; that he has read and is
familiar with the contents of the foregoing motion and the
exhibits attached thereto; that he intends and desires that
in granting or denying the relief requested, the Board
shall place full and complete reliance upon the accuracy
of each and every statement therein contained; that he is
familiar with the facts therein set forth; that to the
best of his information and belief every statement con-
tained in the motion is true and no such statement is
misleading.

Walter L. Anson

Subscribed and sworn to
before me this 22nd day
of March, 1951.

James F. Sincal
Notary Public
JAMES F. SINCAL
Notary Public for the State of New York
Qualified in Queens County
Ex. 61-557478
Certs. Filed with the Clerk New York
City & County, New York and
Queens County, New York

Exhibit A

HUGHES TOOL COMPANY
5425 Polk Avenue,
Houston, Texas.

December 4, 1950

Trans World Airlines, Inc.,
101 West 11th St.,
Kansas City 6, Missouri.

Gentlemen:

We understand that you have entered into a contract, dated February 22, 1950, with The Glenn L. Martin Company, referred to as Contract No. 1116, relating originally to the purchase by you of thirty Martin Model 4-0-4 airplanes. We also understand that by amendment to Contract No. 1116, pursuant to Contract Change Order No. 4, you have contracted to purchase from The Glenn L. Martin Company eleven additional Martin Model 4-0-4 airplanes and that under Contract No. 1116, as presently amended, similar contractual terms and conditions are applicable to the eleven additional airplanes as to the thirty original airplanes except that the price of each of the eleven additional airplanes may be increased due to escalation. This will confirm our agreement with respect to one of the eleven additional Martin Model 4-0-4 airplanes, hereinafter referred to as "the Airplane", which you have contracted to purchase pursuant to Contract Change Order No. 4.

We agree to purchase, and you agree to sell and transfer, all your right, title and interest in and to the Airplane upon the following terms and conditions:

(1) The Airplane shall be the sixth of said eleven additional airplanes and scheduled for delivery on or before March 31, 1952; provided, however, that if you should subsequently wish to designate one of the eleven additional airplanes other than the sixth in substitution for the sixth, we will not unreasonably withhold our consent and agreement to such substitution. The Airplane shall be subject to change orders heretofore and hereafter agreed upon between yourselves and The Glenn L. Martin Company, it being agreed that the Airplane is to be substantially similar to the other 10 of said 11 additional Martin Model 4-0-4 Airplanes, but you shall use your best efforts to obtain the agreement of The Glenn L. Martin Company to any special changes we may reasonably request with respect to the Airplane.

(2) During manufacture of said eleven additional airplanes, you shall perform the same functions of inspection, plant representation, and general contract administration without distinction as among said eleven additional airplanes; i.e., on the same basis and to the same standards with respect to the Airplane as apply to the other ten airplanes which are for your own account.

(3) Upon your receipt of notice from The Glenn L. Martin Company of the date they expect the Airplane to be ready for flight tests, you shall notify us thereof, and as promptly as possible thereafter you shall advise us of the amount of the balance of purchase price due to The Glenn L. Martin Company upon delivery. We shall promptly put you in funds to pay such balance of purchase price, and we hereby authorize you to pay such balance of purchase price to The Glenn L. Martin Company against delivery of the Airplane, and in our name and on our behalf to accept delivery of the Airplane and execute all instruments and take all steps appropriate to the end that delivery of the Airplane for our account be effected at the point and upon the basis set out in your contract with The Glenn L. Martin Company, with title vesting in us and with all risk and expense for our account, and following delivery to ferry the Airplane to such other point within the United States as we may request.

(4) We shall pay the same purchase price for the Airplane as you are obligated to pay The Glenn L. Martin Company, such payment to be made as follows:

(a) Forthwith upon fulfillment of the conditions set forth at paragraph 8 hereof, we shall reimburse you for all installments of the purchase price of the Airplane which you have theretofore made to The Glenn L. Martin Company.

(b) Upon notice from you, we shall forthwith put you in funds to meet when due all installments of the purchase price of the Airplane which become due subsequent to fulfillment of the conditions set forth in paragraph 8 hereof.

(5) In addition to the purchase price of the Airplane we shall pay you, following fulfillment of the conditions set forth in paragraph 8 hereof and as the sums become ascertained in normal course:

(a) Such sums, if any, as you may be required to pay to The Glenn L. Martin Company with respect to the Airplane as an adjustment of the purchase price thereof, pursuant to the contract between yourselves and The Glenn L. Martin Company, including without limitation adjustments due to change orders.

(b) Such sums, if any, as are represented by any sales or use tax imposed upon or paid by you by reason of the sale or use of the Airplane or the purchase by us hereunder.

(c) Such sums as represent, under sound accounting principles, a proper allocation to the Airplane of its proportionate share of the general expenses heretofore and hereafter incurred by you in negotiating your general contractual arrangements with The Glenn L. Martin Company, and the performance of functions of inspection, plant representation, and general

contract administration, plus the total of such sums, if any, as represent direct out-of-pocket costs and expenses to you solely on account of, and attributable to, the Airplane and acceptance of delivery and carrying thereof, including, without limitation, the cost and expenses incidental to your providing customer furnished equipment for the Airplane.

(6) In adjustment of the sums we are obligated to pay you, you shall credit or pay to us, as appropriate, any credits allowed or payments made to you by The Glenn L. Martin Company with respect to the Airplane pursuant to your contractual arrangements with The Glenn L. Martin Company, and you shall remit to us such interest as you receive from The Glenn L. Martin Company on account of installment payments with respect to the Airplane for the period subsequent to the date we have reimbursed you for such installment payments, and you shall remit to us any repayments by The Glenn L. Martin Company of installment payments with respect to the Airplane for which we have reimbursed you.

(7) Following our reimbursement to you of any installment payments you have made with respect to the Airplane, you shall, subject to any consents or waivers required by the provisions of any contractual arrangements to which you are a party, execute any instruments in the nature of assignment or to evidence subrogation which we may reasonably request in view of our interest in the Airplane and our rights and obligations hereunder. It is understood that you make no warranties whatsoever regarding the Airplane but will convey to us all your assignable rights and interests in all manufacturers' warranties and guarantees acquired by you pursuant to your agreement with The Glenn L. Martin Company.

(8) This agreement is subject to any approval, consent or clearance of the Civil Aeronautics Board which may be required pursuant to the Civil Aeronautics Act of 1938, as amended.

If the foregoing correctly sets forth the agreement between us, please execute and return the enclosed copy hereof, and this shall constitute the contract between us.

Very truly yours,

HUGHES TOOL COMPANY

By /s/ Noah Dietrich
Executive Vice President

Agreed:

TRANS WORLD AIRLINES, INC.

By /s/ Warren Lee Piersen
Chairman of the Board

Dated: March 2, 1951

Exhibit B

March 2, 1951

Hughes Tool Company
7000 Romaine
Hollywood, California

Gentlemen:

This will confirm our agreement with respect to the last five (of the total twenty-six) Lockheed Model 749A airplanes which we have agreed to purchase from Lockheed Aircraft Corporation pursuant to Contract No. LD-60, as amended, such last five airplanes being hereinafter sometimes called the "Airplanes."

I. With respect to four of the Airplanes (which shall be the first four thereof delivered unless we designate an Airplane other than the fifth Airplane delivered pursuant to II below):

1. You shall pay to Lockheed Aircraft Corporation the second and final installment of purchase price with respect to each of such Airplanes upon notice from us, from time to time, stating the amount of such second and final installment and that the Airplane to whose purchase such payment is applicable is ready for delivery by Lockheed Aircraft Corporation.

2. Upon your making each such payment provided for by subparagraph 1., we shall:

a. accept delivery from Lockheed Aircraft Corporation of the Airplane to whose purchase such payment is applicable, and effect with Lockheed Aircraft Corporation the transfer of title to such Airplane to you; and

b. retain possession of such Airplane pursuant and subject to that certain "Conditional Sale Contract" of even date between us attached hereto and marked "Exhibit I".

II. With respect to one of the Airplanes (which shall be the fifth of the Airplanes delivered unless we designate a different Airplane in lieu of the fifth delivered):

1. You agree to purchase, and we agree to sell and transfer, all our right, title and interest in and to such Airplane upon your making payment therefor and upon all the other terms and conditions with respect thereto set out in that certain Letter Agreement of even date between us attached hereto and marked "Exhibit II".

III. This agreement and the "Conditional Sale Contract" and the Letter Agreement attached hereto are subject to there having been obtained, on or before March 31, 1951 or such extension of such date as may be agreed upon in writing, any approval, consent or clearance of the C.A.B. which may be required pursuant to the Civil Aeronautics Act of 1938, as amended, and neither this agreement nor such "Conditional Sale Contract"

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nor such Letter Agreement shall be effective for any purpose unless and until such approval, consent or clearance shall have been obtained.

If the foregoing correctly sets forth our agreement, please execute and return the copy hereof enclosed for that purpose.

Very truly yours,

TRANS WORLD AIRLINES, INC.

By /s/ Erle M. Constable
Treasurer

Confirmed:

HUGHES TOOL COMPANY

By /s/ T. A. Slack
Vice President

Exhibit I

CONDITIONAL SALE CONTRACT

Contract of Conditional Sale made as of the 2nd day of March, 1951, between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called the "Seller"), with its principal place of business at Houston, Texas, and TRANS WORLD AIRLINES, INC. (formerly Transcontinental & Western Air, Inc.), a Delaware corporation (hereinafter sometimes called the "Buyer"), with its principal place of business at Kansas City, Missouri,

THE INTEREST OF THE SELLER IN THE AIRCRAFT AND EQUIPMENT COVERED HEREBY IS THAT OF A CONDITIONAL SELLER AND THE INTEREST OF THE BUYER THEREIN IS THAT OF A CONDITIONAL BUYER.

WITNESSETH:

WHEREAS, TWA has contracted to purchase from Lockheed Aircraft Corporation (hereinafter sometimes called "Lockheed") certain Lockheed Model 749A Constellation airplanes, and, with respect to each of four of the last five thereof to be delivered (such four being hereinafter sometimes called the "Airplanes") TWA has paid to Lockheed a first installment of purchase price in the amount of \$230,625; and

WHEREAS, Hughes has agreed to pay to Lockheed the second and final installment of purchase price with respect to each of the Airplanes and in consideration thereof will obtain title to the Airplanes as delivered by Lockheed; and

WHEREAS, Hughes desires to sell and TWA desires to buy the Airplanes pursuant to the conditional sale arrangements set forth herein,

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Seller agrees to sell to Buyer and Buyer agrees to purchase the Airplanes upon the terms and conditions hereinafter set forth. The serial numbers applicable to the respective Airplanes, as soon as determined, shall be set out in an amendment to this Contract.

2. Simultaneously upon conveyance of title to each Airplane from Lockheed to Seller, such Airplane shall forthwith be delivered to Buyer and Buyer shall accept such delivery at Burbank, California.

3. The purchase price of each Airplane for purposes of this Contract shall be the amount which Seller shall have paid Lockheed as the second and final installment of the purchase price under Contract No. LD-60, as amended, and such purchase price shall be paid by Buyer to Seller in sixty equal consecutive monthly installments, together with interest on the unpaid balance at the rate of three percent (3%) per annum. The first of such payments relating to each Airplane

shall be made on the first day of the month next following the month in which the Airplane is delivered and one of the remaining payments shall be made on the first day of each month thereafter until the whole of such purchase price shall have been paid. All payments shall be made to the Seller at the Hughes Tool Company, Houston, Texas.

4. Title to the Airplanes shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes shall pass to Buyer.

5. Upon the happening of any one or more of the following events, namely:

(a) default in making any payment, in the manner herein specified, of any monthly installment of the purchase price of the Airplanes and such default shall continue unremedied for five (5) days after written notice thereof shall have been delivered by Seller to Buyer; or

(b) default shall be made by the Buyer in the observance or performance by the Buyer of any other covenant or agreement contained herein, and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been delivered by Seller to Buyer; or

(c) the Buyer shall become insolvent, or shall file a voluntary petition in bankruptcy, or shall file a voluntary petition or answer seeking or consenting to reorganization pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors, or shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall consent to the appointment of a receiver or trustee of or for it or a substantial part of its property; or

(d) an order shall be entered pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors approving a petition seeking a reorganization of, or if an order shall be entered appointing a receiver or trustee of, or for any substantial part of the property of, or if a warrant of attachment shall be issued against any substantial part of the property of, the Buyer, and any such order is not dismissed or stayed within sixty (60) days from its entry or such attachment is not dismissed or bonded within thirty (30) days from its levy; or

(e) the Debentures at the time issued and outstanding under that certain Indenture, dated as of December 1, 1945, between Buyer and The Commercial National Bank and Trust Company of New York, as Trustee, as said Indenture may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Debentures as set forth therein, upon the occurrence of any of the "events of default" described in said Indenture, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof); then Seller may at once (or at

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any later time) proceed to take possession of the Airplanes in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes may be and take possession thereof and remove the same. Seller may resell the Airplanes, so retaken, at public or private sale, with or without having the Airplanes at the place of sale, and upon such terms and in such manner as Seller may determine. Notice of the intention of Seller to so sell the Airplanes shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale, Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes, including any reasonable attorneys' fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane falling due after Seller has taken possession of such Airplane pursuant to this provision.

6. From and after delivery of the Airplanes to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes,

(1) Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

(2) Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in an amount at least sufficient to cover the then unpaid portion of the purchase price of the Airplanes. If any such Airplane shall be lost, destroyed or damaged to such an extent that repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of such Airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Upon such payment to the Seller of insurance to the extent of the unpaid balance of the purchase price of any Airplane, absolute title to the Airplane so damaged or to any parts of an Airplane so destroyed shall vest in Buyer and Seller shall deliver to Buyer such proper documents of title with respect thereto as Buyer may reasonably require. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplane falling due after such loss, destruction or damage. Any insurance proceeds in excess of the amount payable to the Seller, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

7. Buyer may at any time pay to Seller the unpaid balance of the purchase price of the Airplanes, or any part thereof, without premium or penalty.

8. Upon the payment to Seller of the balance of the purchase price of the Airplanes together with all other amounts owing to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate (1) a bill of sale duly vesting in Buyer the title to the Airplanes free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of the Airplanes to Seller and not arising out of the possession, use or operation of the Airplanes by Buyer, and (2) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

9. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the Airplanes or the purchase thereof by Seller, then in addition to the sales price provided for in paragraph 3, Buyer shall pay to Seller the amount thereof, upon demand.

10. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower.

11. The Buyer agrees that it will pay and discharge all taxes, assessments, governmental charges and all charges for keep, repairs, storage, maintenance or accessories, which if unpaid might become a lien, charge or encumbrance upon or against any of the Airplanes; and upon the failure of the Buyer so to do the Seller may make any such payment; provided, however, that nothing herein contained shall require the Buyer to pay such tax, assessment or charge so long as the Buyer shall in good faith contest the validity thereof and shall furnish the Seller such bond or indemnity as the Seller shall require, unless, in the judgment of the Seller, forfeiture is likely to result from any such failure to pay. Any sum or sums so paid by the Seller, together with interest thereon at the highest lawful contract rate, shall be and become a part of the sum which the Buyer is required to pay under this contract, and shall immediately, without demand, be due and be repaid by the Buyer to the Seller.

The Buyer will, upon written request from the Seller, (1) reimburse the Seller for all filing or recording fees incurred in connection with filing or recording or refiling or re-recording this contract and all supplements and additions hereto, if any; (2) execute and deliver to the Seller all such further documents and instruments and do such further acts as may be necessary to perfect the rights of the Seller herein contemplated; and (3) furnish to the Seller at reasonable intervals reports and certificates setting forth all the information necessary to inform the Seller as to the continued existence, location and condition of the Airplanes. The Seller shall also have the right to inspect the Airplanes at all times when the same are not in use and when such inspection can be had without undue inconvenience or expense to the Buyer.

12. Buyer agrees to maintain the Airplanes in good repair and working condition at its own expense, except any airplane lost, destroyed or so damaged that insurance with respect thereto is payable to the Seller pursuant to paragraph 6 hereof. Subject to the proper performance of such covenant, the Buyer may make repairs and replacements to the Airplanes and may substitute for engines, propellers and any other equipment installed in or attached to the Airplanes, engines, propellers or other equipment of substantially the same kind and value. In case of any such substitution title to the equipment substituted shall immediately be vested in Seller and shall become subject to the provisions of this Conditional Sale Contract while title to the equipment for which such substitution has been made will immediately vest in Buyer.

13. Until title to the Airplanes shall have passed to the Buyer hereunder, the Buyer shall have no right, power of authority to sell, transfer, assign, mortgage or encumber or in any other manner whatsoever dispose of the Airplanes or any part thereof (except as provided in paragraph 12 hereof) or any interest therein, and the Buyer hereby agrees that, except as permitted by paragraph 12 hereof, the Buyer will not (voluntarily or involuntarily), sell, transfer, mortgage, encumber or in any other manner whatsoever dispose of the Airplanes or any part thereof or any interest therein. Buyer agrees, except as provided herein, that the Airplanes will be used exclusively for its commercial air transport operations and related activities and that it will not permit the Airplanes to be used or possessed by others. Buyer may permit the use of the Airplanes by other airlines with which Buyer enters into interchange agreements provided that any such use by other airlines shall for the purposes of this agreement be considered to be use by the Buyer.

14. To the extent, if any, that there is a conflict between any of the provisions of this agreement and any of the provisions of the Chattel Mortgage dated as of March 25, 1948 between the Buyer and Bankers Trust Company, as Trustee, or of the Chattel Mortgage dated as of August 4, 1949 between the Buyer and Mellon National Bank & Trust Company, as Trustee, or of the chattel mortgages contemplated by the 1950 Credit Agreement and the 1951 Credit Agreement between the Buyer and Mellon National Bank and Trust Company, as agent, and the Lending Banks named therein, the provisions of such chattel mortgages shall prevail and the provisions of this agreement shall be deemed amended to the extent necessary to avoid such conflict.

15. Before delivery of each Airplane to Buyer hereunder, Buyer will cause to be fastened thereon in a location reasonably adjacent to, and not less prominent than that of, the airworthiness certificate for such Airplane, a name plate no larger than four inches by seven inches bearing the following legend:

"Hughes Tool Company holds legal title
to this Airplane as Conditional Seller."

Buyer shall maintain such name plate in such location or in one of at least equal prominence and visibility at all times. Buyer may affix to the Airplanes Buyer's name, insignia or other legends customarily displayed by Buyer on its airplanes.

16. Buyer shall indemnify and hold harmless Seller, its agents and its employees from any and all liability for losses, expenses, damages, demands and claims in connection with or arising out of any death of, or injury or alleged injury or damage to, persons or property sustained, or alleged to have been sustained, in connection with or arising or alleged to have arisen out of Buyer's possession, use or operation of the Airplanes and Buyer agrees to handle any claim and defend any suit or action brought against Seller, its agents or its employees, or any of them, based on any such death, injury or damage, or alleged injury or damage, and to pay all damages, costs and expenses, including attorneys' fees, in connection therewith or resulting therefrom.

Buyer's liability to Seller under this paragraph 16 is conditioned upon Seller's promptly giving notice to Buyer of institution of such suit or action or of receipt of such claim or demand. Buyer shall have the option at any time to conduct negotiations with the party or parties making any such claim or demand, and may intervene in any such suit or action. Whether or not Buyer intervenes in any such suit or action, it shall be entitled to assume, conduct or control the defense thereof, and Seller shall not settle or discharge any such claim, demand, suit, action or judgment without prior notice to and the consent of Buyer.

IN WITNESS WHEREOF the parties hereto have executed and delivered this agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By /s/ T. A. Slack

Attest:

/s/ Roy H. Sherwood

(Corporate Seal)

TRANS WORLD AIRLINES, INC.

By /s/ Erle M. Constable
Treasurer

Attest:

/s/ J. L. Weller
Assistant Secretary

(Corporate Seal)

Exhibit C

SL/51624
March 2, 1951

Lockheed Aircraft Corporation
Burbank, California

Gentlemen:

The undersigned request your concurrence and agreement as hereafter set forth. For convenience, hereinafter you will sometimes be referred to as "Lockheed", Trans World Airlines, Inc. will sometimes be referred to as "TWA", and Hughes Tool Company will sometimes be referred to as "Hughes".

1. It is contemplated that TWA will finance through Hughes the final installment of the purchase price of four of the last five (of the total twenty-six) Lockheed Model 749A Airplanes which TWA has agreed to purchase from Lockheed pursuant to Contract No. LD-60, as amended. Incidental to such financing, it is contemplated that Hughes shall acquire title to four of said last five Airplanes for security purposes directly from Lockheed, and forthwith convey each of such four Airplanes to TWA subject and pursuant to conditional sale arrangements between Hughes and TWA. It is further contemplated that Hughes shall purchase full legal and beneficial ownership of the fifth of said last five airplanes, and TWA shall give Lockheed proper and timely notice designating such fifth airplane for this purpose.

2. It is therefore agreed, notwithstanding anything to the contrary in said Contract No. LD-60, as amended, but subject to the condition stated in paragraph 4 hereof, that with respect to each of said last five Airplanes:

a. Hughes shall pay Lockheed, in the form and at the place specified in said Contract No. LD-60, as amended, the final installment of purchase price applicable to each Airplane, payable upon Lockheed delivering each Airplane in accordance with said Contract No. LD-60, as amended; and payment by Hughes shall discharge the obligation of TWA to make such payment pursuant to said Contract.

b. Simultaneous with receipt of each such payment, Lockheed shall deliver to TWA, in the condition and at the place specified in said Contract (except that the fifth Airplane, referred to in paragraph 1 above, shall be delivered to Hughes, and at Las Vegas, Nevada upon proper amendment of said Contract pursuant to Article 3(b) thereof), the Airplane to whose purchase such payment is applicable, and a bill of sale duly vesting in Hughes good title to such Airplane free and clear of all encumbrances and such other appropriate documents of title as Hughes may reasonably require; and such delivery shall discharge the obligation of Lockheed to make delivery pursuant to said Contract.

c. Any representatives heretofore designated, or authorized, or who may hereafter be designated or authorized, by TWA to act or perform functions with

respect to said Airplanes, including without limitation functions of inspection, delivery of payment and receipt of delivery of Airplanes and bills of sale, execution and receipt of packing sheets, and other related matters, acts, and instruments, are hereby designated and authorized by Hughes to act and perform on its behalf similar functions with respect to said Airplanes.

3. It is further agreed, notwithstanding anything to the contrary in said Contract No. LD-60, as amended, but subject to the conditions stated in paragraph 4 hereof, that:

a. With respect to each of the four Airplanes whose title Hughes acquires for security purposes, all rights and obligations pursuant to said Contract No. LD-60, as amended, whether before or after delivery (except only those relating to payment of final installment of purchase price and delivery of Airplanes and title as in this agreement provided) shall remain rights and obligations solely between TWA and Lockheed, and shall not become rights and obligations between Hughes and Lockheed, all with the same full force and effect as would obtain but for this agreement; provided, however, that in event Hughes should repossess any or all of said four Airplanes pursuant to the conditional sale arrangements between Hughes and TWA, Hughes shall succeed to all the rights and assume all the obligations with respect to the Airplanes repossessed applicable under said Contract LD-60, as amended, and subsisting as of the date of such repossession; and all rights and obligations of Hughes in any event shall be limited and affected by all agreements, covenants, actions, consents, performances, and discharges between TWA and Lockheed with respect to said Airplanes prior to such repossession, whether before or after delivery of said Airplanes; and

b. With respect to the one of said last five Airplanes whose full legal and beneficial ownership is purchased by Hughes, all rights and obligations pursuant to said Contract No. LD-60, as amended subsisting as of the date Hughes acquires such ownership shall become rights and obligations solely between Hughes and Lockheed, and shall cease to be rights and obligations between TWA and Lockheed, provided that all rights and obligations of Hughes in any event shall be limited and affected by all agreements, covenants, actions, consents, performances, discharges between TWA and Lockheed with respect to said one Airplane prior to the date Hughes acquired such ownership.

4. TWA shall have the right to nullify the application of this agreement to any or all of said five Airplanes by written notice to that effect delivered to Lockheed and Hughes at least five days prior to delivery of the Airplane to which such notice relates.

If the foregoing correctly sets forth our understanding and agreement in the premises, kindly so indicate by dating and signing, as indicated, the two duplicates of this letter enclosed herewith and by returning one such duplicate

to each of the undersigned.

Very truly yours,

HUGHES TOOL COMPANY

By

/s/ T. A. Slack
Vice President

TRANS WORLD AIRLINES, INC.

By

/s/ Erle M. Constable
Treasurer

The foregoing correctly sets forth
our understanding and agreement in
the premises.

Dated: March 21st, 1951

LOCKHEED AIRCRAFT CORPORATION

By Carl B. Squier

Vice President

Exhibit D

AGREEMENT dated April 5, 1950 between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes"), TRANSCONTINENTAL & WESTERN AIR, INC., a Delaware corporation (hereinafter called "TWA"), and THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (hereinafter called "Equitable").

WHEREAS Hughes, as of the date hereof, is the owner of approximately 74% of the issued and outstanding capital stock of TWA; and

WHEREAS TWA proposes to borrow from banks not in excess of \$10,000,000 to assist it in financing the purchase of 30 Martin 404 Airplanes (hereinafter referred to as the "Airplanes"); and

WHEREAS Equitable, as the owner of all the Debentures issued and outstanding under the Indenture dated as of December 1, 1945 entered into between TWA and The Commercial National Bank and Trust Company of New York, as Trustee, as from time to time amended (hereinafter referred to as the "Indenture"), deems it desirable that TWA acquire the Airplanes and has, co-incidentally herewith and in reliance hereon, given its consent under Section 4.26 of the Indenture to the waiver of the restrictions contained in the Indenture so as to permit TWA to purchase such Airplanes and to borrow money on the security thereof to assist it in financing such purchase;

NOW, THEREFORE, in consideration of the premises, it is hereby agreed as follows:

1. TWA agrees that on or before December 31, 1951 it will sell sufficient shares of its unissued capital stock so that the net proceeds to it from such sale, after deducting underwriting commissions and other expenses of such issuance payable by it, shall be at least \$5,000,000.

2. Hughes agrees that it will cause TWA to perform the agreement contained in paragraph 1 hereof and that if other purchasers are not available, Hughes will, itself, buy on or before December 31, 1951, sufficient shares of the unissued capital stock of TWA to provide net proceeds to TWA from such sale, after deducting underwriting commissions and other expenses of such issuance payable by TWA, of at least \$5,000,000, provided, however, that said purchase by Hughes shall be subject to the approval of the Civil Aeronautics Board, but Hughes agrees that it will and it will cause TWA to take such action as may be necessary to obtain such approval if such approval can be obtained.

3. Hughes agrees that if for any reason it is impossible for TWA to perform its obligation under paragraph 1 hereof, upon the request of Equitable, Hughes will lend to TWA said sum of \$5,000,000 evidenced by a subordinated note or notes in substantially the same terms and subject to substantially the same conditions as were contained in the Subordinated Convertible 2-3/4% Notes issued by TWA, pursuant to the Three-Party Agreement dated January 31, 1947 between Hughes, TWA and Equitable, provided, however, that said loan

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shall be subject to the approval of the Civil Aeronautics Board, but Hughes agrees that it will and it will cause TWA to take such action as may be necessary to obtain such approval if such approval can be obtained. TWA agrees that, upon the request of Equitable, it will borrow at least \$5,000,000 upon such terms and conditions if such loan is made available to it. Equitable hereby agrees to waive the restrictions contained in the Indenture so as to permit such borrowing by TWA.

WITNESS the due execution hereof in several counterparts.

HUGHES TOOL COMPANY

By /s/ Noah Dietrich V.P.

THE EQUITABLE LIFE ASSURANCE
SOCIETY OF THE UNITED STATES

By /s/ Henry Greaves
Treasurer

TRANSCONTINENTAL & WESTERN AIR, INC.

By /s/ A. V. Leslie
Vice President and Treasurer

Exhibit E

AGREEMENT dated January 16, 1951 between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes"), TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter called "TWA") and THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (hereinafter called "Equitable").

WHEREAS Hughes, as of the date hereof, is the owner of approximately 74% of the issued and outstanding capital stock of TWA; and

WHEREAS TWA proposes to borrow from banks not in excess of Ten Million Dollars (\$10,000,000) to assist it in financing the purchase of 10 Lockheed Model 1049 Constellation Airplanes and spare parts for use in connection therewith (hereinafter referred to as the "Airplanes"); and

WHEREAS Equitable, as the owner of all the Debentures issued and outstanding under the Indenture dated as of Dec. 1, 1945, entered into between TWA and The Commercial National Bank and Trust Company of New York, as Trustee, as from time to time amended (hereinafter referred to as the "Indenture"), deems it desirable that TWA acquire the Airplanes and has, co-incidentally herewith and in reliance hereon, given its consent to the execution of a supplemental Indenture to the Indenture so as to permit TWA to purchase such Airplanes and to borrow money on the security thereof to assist it in financing such purchase; and

WHEREAS the parties hereto have entered into an agreement dated Apr. 5, 1950, pursuant to which TWA agreed that on or before Dec. 31, 1951, it would sell sufficient shares of its unissued capital stock so that the net proceeds to it from such sale, after deducting underwriting commissions and other expenses of such issuance payable by it, should be at least \$5,000,000 (hereinafter referred to as the "1950 Agreement");

NOW, THEREFORE, in consideration of the premises, it is hereby agreed as follows:

1. Without in any way affecting the obligations of TWA and Hughes under the 1950 Agreement, TWA agrees that on or before Dec. 31, 1952, it will sell sufficient shares of its unissued capital stock so that the net proceeds to it from such sale, after deducting underwriting commissions and other expenses of such sales payable by it, shall be at least \$5,000,000.

2. Hughes agrees that it will cause TWA to perform the agreement contained in paragraph 1 hereof and that if such shares are not otherwise sold, it will, itself, buy on or before Dec. 31, 1952, sufficient shares of the unissued capital stock of TWA to provide net proceeds to TWA from such sale, after deducting underwriting commissions and other expenses of such issuance payable by TWA, which together with the net proceeds from any other sales of the unissued capital stock of TWA made subsequent to the date hereof (excluding net proceeds of \$5,000,000 from sales made to satisfy the requirements of the 1950 agreement), shall aggregate at least \$5,000,000.

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3. The parties hereto agree that Hughes may satisfy its obligation hereunder by lending to TWA on or before Dec. 31, 1952, said sum of \$5,000,000 (or if the obligation of TWA under paragraph 1 hereof has been performed in part, a sum equivalent to the net proceeds of the shares of stock which Hughes would otherwise be obligated to purchase pursuant to paragraph 2 hereof), evidenced by a subordinated note or notes in substantially the same terms and subject to substantially the same conditions as were contained in the Subordinated Convertible 2-3/4% Notes issued by TWA, pursuant to the Three-Party Agreement dated Jan. 31, 1947, between Hughes, TWA, and Equitable.

4. All obligations of Hughes herein set forth are subject to any approval of the Civil Aeronautics Board which may be required by law but Hughes and TWA agree to take all reasonable steps to obtain any such required approval.

WITNESS the due execution hereof in several counterparts.

HUGHES TOOL COMPANY

By /s/ Noah Dietrich
Executive Vice President

THE EQUITABLE LIFE ASSURANCE
SOCIETY OF THE UNITED STATES

By /s/ F. A. Shailer

TRANS WORLD AIRLINES, INC.

By /s/ Eric M. Constable
Treasurer

Orders
Serial Number E-5324UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 25th day of April, 1951.

In the Matter of the Application of

HUGHES TOOL COMPANY

for approval under section 403 of the
Civil Aeronautics Act of 1938, as amended,
of the acquisition of control of

TRANS WORLD AIRLINES, INC.

Docket No. 1182

ORDER MODIFYING ORDER APPROVING ACQUISITION

A motion having been filed by Hughes Tool Company for an order modifying Order Serial No. 3210 issued October 17, 1944, in this docket, as amended by subsequent orders, so as to permit the (1) sale to Hughes Tool Company by TWA of a Martin 404 aircraft ordered by TWA at the request of Hughes Tool Company pursuant to the terms and conditions of a sales contract dated December 4, 1950; (2) sale to Hughes Tool Company by TWA of a Lockheed Constellation Model 749A aircraft ordered by TWA at the request of Hughes Tool Company pursuant to a letter agreement dated March 2, 1951; (3) financing by Hughes Tool Company in favor of TWA of the final installment on four new Lockheed Constellation Model 749A aircraft on a conditional sales basis pursuant to the terms and conditions of an agreement dated March 2, 1951; and (4) implementation of certain stock agreements dated April 5, 1950, and January 16, 1951, between TWA, Hughes Tool Company, and The Equitable Life Assurance Company for the purpose of raising additional equity capital for the purchase of a fleet of aircraft deemed essential by the carrier for its future operations;

The Board, acting pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 205(a), 403 and 1005(a) thereof, and finding that the further modification of its order in Docket No. 1182, as amended and modified, hereinafter provided for is just and reasonable and is in the public interest;

IT IS ORDERED THAT:

Order Serial No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended by adding thereto the following:

- 2 -

"7. That the terms of this order shall not restrict the right of Trans World Airlines, Inc., to sell and Hughes Tool Company to buy a Martin 404 aircraft and Lockheed Constellation Model 749A aircraft pursuant to the terms and conditions of sales contracts dated December 4, 1950, and March 2, 1951, between said parties respectively; the financing by Hughes Tool Company in favor of TWA of the final installment on four new Lockheed Constellations Model 749A aircraft under a conditional sales contract pursuant to the terms and conditions of an agreement between the parties dated March 2, 1951; the implementation of certain stock agreements dated April 5, 1950, and January 16, 1951, between Transcontinental & Western Air, Inc., Hughes Tool Company, and The Equitable Life Assurance Company for the purpose of raising additional equity capital for the purchase of a fleet of aircraft, provided that the sale shall be reported to the Board in the manner provided in paragraph 2 of this order, and provided further that nothing in the Board's action herein shall be construed as constituting an approval for rate-making purposes."

By the Civil Aeronautics Board:

/s/ E. C. Mulligan

E. C. Mulligan
Secretary

(SEAL)

Amel

Before the
CIVIL AERONAUTICS BOARD

-----X
In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of the :
Civil Aeronautics Act of 1938, as :
amended, of the acquisition of control :
of :

Docket No. 1182

TRANS WORLD AIRLINES, INC. :
-----X

MOTION FOR APPROVAL OF PURCHASE OF
THREE CONSTELLATION AIRPLANES

Communications with respect to this document
should be sent to:

WARREN LEE PIERSON,
Chairman of the Board of Directors,
Trans World Airlines, Inc.,
806 Connecticut Ave., N.W.,
Washington 6, D. C.

-and-

CHADWICKS, PARKE, WHITESIDE, WOLFF & BROPHY,
Attorneys for
Trans World Airlines, Inc.,
25 Broadway,
New York 4, N. Y.

Before the
CIVIL AERONAUTICS BOARD

----- X
In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of the :
Civil Aeronautics Act of 1938, as :
amended, of the acquisition of control :
of :

Docket No. 1182

TRANS WORLD AIRLINES, INC. :
----- X

MOTION FOR APPROVAL OF PURCHASE OF
THREE CONSTELLATION AIRPLANES

TRANS WORLD AIRLINES, INC., a Delaware corporation (herein referred to as "TWA"), respectfully moves that the Board enter an order herein approving the proposed financing by TWA through Hughes Tool Company (herein referred to as "Hughes"), of the purchase price of three Lockheed Constellation Airplanes (to be purchased from Delta Air Lines, Inc.) by means of a conditional sale contract to be dated as of April 1, 1954 between TWA and Hughes, in the form attached hereto as Exhibit A; and that the Board modify its order approving the acquisition by Hughes of control of TWA, Order Serial No. 3210, issued October 17, 1944, as amended, so as to permit the performance of such transactions and agreements.

In support of such motion, TWA shows to the Board:

1. By an agreement in the form attached hereto as Exhibit A, Hughes will agree to sell, on a conditional sale basis, and TWA will agree to purchase, subject to the

approval herein requested and to the other conditions set forth in such agreement, the three Constellation airplanes above referred to at the cost of said airplanes to Hughes, all as more particularly set forth in such agreement.

2. These airplanes are to be acquired by Hughes from Delta Air Lines, Inc. (herein referred to as "Delta") pursuant to an agreement dated March 23, 1954, to be executed by Hughes and Delta, a copy of which is attached hereto as Exhibit B. Hughes will take title to these three airplanes and sell them to TWA on a conditional sale basis solely for the purpose of enabling TWA to finance the acquisition of such airplanes and thus to augment its fleet of Constellation aircraft.

3. The terms and conditions of sale by Hughes to TWA are substantially the same as those contained in the agreement dated as of February 2, 1950 between Hughes and TWA relating to the sale from Hughes to TWA of six Constellation Model 049 Airplanes on a conditional sale basis, which was approved by Board Order No. E-4160, and as those contained in the conditional sale contract dated as of March 2, 1951 between Hughes and TWA relating to the sale from Hughes to TWA of four Constellation Model 749A Airplanes on a conditional sale basis, which was approved by Board Order No. E-5324. The details of the arrangements between the parties are more specifically set forth in the form of conditional sale contract, a copy of which is attached as Exhibit A.

4. TWA is to pay Hughes for these airplanes only the amounts which Hughes pays to Delta, with interest on the unpaid balance as provided in the conditional sale contract. By selling these airplanes to TWA on a conditional sale basis on the terms outlined in Exhibit A, Hughes will provide TWA with financial arrangements on better terms than would otherwise be available. Under the bank Credit Agreement which TWA has arranged for the financing of the 20 Constellation Model 1049E aircraft and certain spare parts which it has contracted to purchase from Lockheed Aircraft Corporation, TWA will pay interest at the rate of 4% per annum and will pay at least 40% of the purchase price of the Constellation 1049E airplanes and spare parts from its own funds. Interest payable to Hughes is 3-3/4% per annum and the initial payment required is less than 2% of the purchase price.

5. These three airplanes are required by TWA for use in its domestic and international operations. The addition of these planes to TWA's present fleet will permit increased Constellation service and increased revenue mileage and will thus improve TWA's service to the public.

WHEREFORE, TWA respectfully moves the Board to enter an order herein approving the financing by Hughes of three Lockheed Constellation Airplanes, including the conditional sale of such Airplanes by Hughes to TWA, all as hereinabove set forth; and that the Board modify its order approving the acquisition by Hughes of control of TWA, Order Serial No. 3210, issued October

17, 1944, as amended, so as to permit the performance of such transactions and agreements, and for such other and further relief as may be appropriate.

Respectfully submitted,

TRANS WORLD AIRLINES, INC.

By

G. V. Lulu

Vice-President - Finance

March 24, 1954

CHADBOURNE, PARKE, WHITESIDE, WOLFF & BROPHY,
Attorneys for
Trans World Airlines, Inc.,
25 Broadway,
New York 4, N. Y.

Exhibit ACONDITIONAL SALE CONTRACT

Contract of Conditional Sale made as of the 1st day of April, 1954, between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter sometimes called the "Seller"), with its principal place of business at Houston, Texas, and TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter sometimes called the "Buyer"), with its principal place of business at Kansas City, Missouri,

THE INTEREST OF THE SELLER IN THE AIRCRAFT AND EQUIPMENT COVERED HEREBY IS THAT OF A CONDITIONAL SELLER AND THE INTEREST OF THE BUYER THEREIN IS THAT OF A CONDITIONAL BUYER.

WITNESSETH:

WHEREAS, Hughes has contracted to purchase from Delta Air Lines, Inc. (hereinafter called "Delta") the three Lockheed Constellation airplanes (hereinafter called the "Airplanes", identified as follows:

Type	C.A.A. Registration No.	Mfg. Serial No.
L-649A	N 85521	2642
L-649A	N 85522	2653
L-749A	N 85535	2673

; and

WHEREAS, Hughes desires to sell and TWA desires to buy the Airplanes pursuant to the conditional sale arrangements set forth herein,

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Seller agrees to sell to Buyer and Buyer agrees to purchase the Airplanes upon the terms and conditions hereinafter set forth.
2. Simultaneously upon conveyance of title to each Airplane from Delta to Seller, such Airplane shall forthwith be delivered to Buyer and Buyer shall accept such delivery at Midway Airport, Chicago, Illinois.
3. The purchase price of each Airplane for purposes of this Contract shall be the amount which Seller shall have paid Delta for such Airplane, and such purchase price shall be paid by Buyer to Seller in sixty equal consecutive monthly installments, together with

Interest on the unpaid balance at the rate of three and three-quarters percent ($3\frac{3}{4}\%$) per annum. The first of such payments relating to each Airplane shall be made at the time of delivery of such Airplane, the next payment shall be made on the first day of the month next following the month in which the Airplane is delivered and one of the remaining payments shall be made on the first day of each month thereafter until the whole of such purchase price shall have been paid. All payments shall be made to the Seller at the Hughes Tool Company, Houston, Texas.

4. Title to the Airplanes shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes shall pass to Buyer.

5. Upon the happening of any one or more of the following events, namely:

(a) default in making any payment, in the manner herein specified, of any monthly installment of the purchase price of the Airplanes and such default shall continue unremedied for five (5) days after written notice thereof shall have been delivered by Seller to Buyer; or

(b) default shall be made by the Buyer in the observance or performance by the Buyer of any other covenant or agreement contained herein, and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been delivered by Seller to Buyer; or

(c) the Buyer shall become insolvent, or shall file a voluntary petition in bankruptcy, or shall file a voluntary petition or answer seeking or consenting to reorganization pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors, or shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall consent to the appointment of a receiver or trustee of or for it or a substantial part of its property; or

(d) an order shall be entered pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors approving a petition seeking a reorganization of, or if an order shall be entered appointing a receiver or trustee of, or for any substantial part of the property of, or if a warrant of attachment shall be issued against any substantial part of the property of, the Buyer, and any such order is not dismissed or stayed within sixty (60) days from its entry or such attachment is not dismissed or bonded within thirty (30) days from its levy; or

(c) the Debentures at the time issued and outstanding under that certain Indenture, dated as of December 1, 1945, between Buyer and Bankers Trust Company, as Successor Trustee, as said Indenture may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Debentures as set forth therein, upon the occurrence of any of the "events of default" described in said Indenture, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof);

then Seller may at once (or at any later time) proceed to take possession of the Airplanes in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes may be and take possession thereof and remove the same. Seller may resell the Airplanes, so retaken, at public or private sale, with or without having the Airplanes at the place of sale, and upon such terms and in such manner as Seller may determine. Notice of the intention of Seller to so sell the Airplanes shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale, Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes, including any reasonable attorneys' fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane falling due after Seller has taken possession of such Airplane pursuant to this provision.

6. From and after delivery of the Airplanes to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes,

(1) Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

(2) Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in an amount at least sufficient to cover the then unpaid portion of the purchase price of the Airplanes. If any such Airplane shall be lost, destroyed or damaged to such an extent that

repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of such Airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Upon such payment to the Seller of insurance to the extent of the unpaid balance of the purchase price of any Airplane, absolute title to the Airplane so damaged or to any parts of an Airplane so destroyed shall vest in Buyer and Seller shall deliver to Buyer such proper documents of title with respect thereto as Buyer may reasonably require. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplane falling due after such loss, destruction or damage. Any insurance proceeds in excess of the amount payable to the Seller, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

7. Buyer may at any time pay to Seller the unpaid balance of the purchase price of the Airplanes, or any part thereof, without premium or penalty.

8. Upon the payment to Seller of the balance of the purchase price of the Airplanes together with all other amounts then due to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate (1) a bill of sale duly vesting in Buyer the title to the Airplanes free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of the Airplanes to Seller and not arising out of the possession, use or operation of the Airplanes by Buyer, and (2) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

9. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the Airplanes or the purchase thereof by Seller, then in addition to the sales price provided for in paragraph 3, Buyer shall pay to Seller the amount thereof, upon demand.

10. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower.

11. The Buyer agrees that it will pay and discharge all taxes, assessments, governmental charges and all charges for keep, repairs, storage, maintenance or accessories, which if unpaid might become a lien, charge or encumbrance upon or against any of the Airplanes; and upon the failure of the Buyer so to do the Seller may make any such payment; provided, however, that nothing herein contained shall require the Buyer to pay such tax, assessment or charge so long as the Buyer shall in good faith

contest the validity thereof and shall furnish the Seller such bond or indemnity as the Seller shall require, unless, in the judgment of the Seller, forfeiture is likely to result from any such failure to pay. Any sum or sums so paid by the Seller, together with interest thereon at the highest lawful contract rate, shall be and become a part of the sum which the Buyer is required to pay under this contract, and shall immediately, without demand, be due and be repaid by the Buyer to the Seller.

The Buyer will, upon written request from the Seller, (1) reimburse the Seller for all filing or recording fees incurred in connection with filing or recording or refiling or re-recording this contract and all supplements and additions hereto, if any; (2) execute and deliver to the Seller all such further documents and instruments and do such further acts as may be necessary to perfect the rights of the Seller herein contemplated; and (3) furnish to the Seller at reasonable intervals reports and certificates setting forth all the information necessary to inform the Seller as to the continued existence, location and condition of the Airplanes. The Seller shall also have the right to inspect the Airplanes at all times when the same are not in use and when such inspection can be had without undue inconvenience or expense to the Buyer.

12. Buyer agrees to maintain the Airplanes in good repair and working condition at its own expense, except any airplane lost, destroyed or so damaged that insurance with respect thereto is payable to the Seller pursuant to paragraph 6 hereof. Subject to the proper performance of such covenant, the Buyer may make repairs and replacements to the Airplanes and may substitute for engines, propellers and any other equipment installed in or attached to the Airplanes, engines, propellers or other equipment of substantially the same kind and value. In case of any such substitution title to the equipment substituted shall immediately be vested in Seller and shall become subject to the provisions of this Conditional Sale Contract while title to the equipment for which such substitution has been made will immediately vest in Buyer.

13. Until title to the Airplanes shall have passed to the Buyer hereunder, the Buyer shall have no right, power or authority to sell, transfer, assign, mortgage or encumber or in any other manner whatsoever dispose of the Airplanes or any part thereof (except as provided in paragraph 12 hereof) or any interest therein, and the Buyer hereby agrees that, except as permitted by paragraph 12 hereof, the Buyer will not (voluntarily or involuntarily), sell, transfer, mortgage, encumber or in any other manner whatsoever dispose of the Airplanes or any part thereof or any interest therein. Buyer agrees, except as provided herein, that the Airplanes will be used exclusively for its commercial air transport operations and related activities and that it will not permit the Airplanes to be used or possessed by others. Buyer may permit the use of the Airplanes by other airlines with which Buyer enters into interchange agreements provided that any such use by other airlines shall for the purposes of this agreement be considered to be use by the Buyer.

14. To the extent, if any, that there is a conflict between any of the provisions of this agreement and any of the provisions of the Chattel Mortgages dated as of August 4, 1949, October 29, 1951 and May 13, 1952 between the Buyer and Mellon National Bank & Trust Company, as Trustee, or of the chattel mortgage contemplated by the Credit Agreement dated as of September 25, 1953 between the Buyer and Mellon National Bank and Trust Company, as Agent, and the Lending Banks named therein, the provisions of such chattel mortgages shall prevail and the provisions of this agreement shall be deemed amended to the extent necessary to avoid such conflict.

15. Before delivery of each Airplane to Buyer hereunder, Buyer will cause to be fastened thereon in a location reasonably adjacent to, and not less prominent than that of, the airworthiness certificate for such Airplane, a name plate no larger than four inches by seven inches bearing the following legend:

"Hughes Tool Company holds legal title
to this Airplane as Conditional Seller."

Buyer shall maintain such name plate in such location or in one of at least equal prominence and visibility at all times. Buyer may affix to the Airplanes Buyer's name, insignia or other legends customarily displayed by Buyer on its airplanes.

16. Buyer shall indemnify and hold harmless Seller, its agents and its employees from any and all liability for losses, expenses, damages, demands and claims in connection with or arising out of any death of, or injury or alleged injury or damage to, persons or property sustained, or alleged to have been sustained, in connection with or arising or alleged to have arisen out of Buyer's possession, use or operation of the Airplanes and Buyer agrees to handle any claim and defend any suit or action brought against Seller, its agents or its employees, or any of them, based on any such death, injury or damage, or alleged injury or damage, and to pay all damages, costs and expenses, including attorneys' fees, in connection therewith or resulting therefrom.

Buyer's liability to Seller under this paragraph 16 is conditioned upon Seller's promptly giving notice to Buyer of institution of such suit or action or of receipt of such claim or demand. Buyer shall have the option at any time to conduct negotiations with the party or parties making any such claim or demand, and may intervene in any such suit or action. Whether or not Buyer intervenes in any such suit or action, it shall be entitled to assume, conduct or control the defense thereof, and Seller shall not settle or discharge any such claim, demand, suit, action or judgment without prior notice to and the consent of Buyer.

17. This Contract shall, without liability of either Buyer or Seller to the other, be and become null and void and of no force or effect if on or before

April 1, 1954, or such extension of said date as Buyer and Seller may hereafter mutually agree upon in writing, the Civil Aeronautics Board (1) shall not have authorized the transactions contemplated hereby and (2) shall not have granted any approval that may be required for the purchase of the airplanes by Hughes from Delta.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By _____

Attests: _____

(Corporate
Seal)

TRANS WORLD AIRLINES, INC.

By _____

Attests: _____

(Corporate
Seal)

Exhibit B

March 23, 1954

Hughes Tool Company,
Houston,
Texas.

Dear Sirs:

The following is in confirmation of our agreement with respect to the purchase by you (Hughes) from us (Delta) of three Lockheed Constellation airplanes powered with four Wright Model 749 CD-ED-1 type engines:

1. We agree to sell to you and you agree to purchase from us the following Lockheed Constellation airplanes:

Type	Delta Co. No.	C.A.A. Registration No.	Mfg. Serial No.
L-649A	521	N 86521	2642
L-649A	522	N 86522	2653
L-749A	535	N 86535	2673

All such airplanes shall be delivered to you, at Midway Airport, Chicago, Illinois. Delta will assume all risk of damage to or destruction of such aircraft prior to delivery to Hughes. Delivery of such airplanes shall be made in accordance with the following schedule:

Mfg. Serial No.	Date
2642	April 1, 1954
2673	April 25, 1954
2653	June 1, 1954

2. It is understood and agreed that each of said airplanes shall be delivered to Hughes in an "as is" condition, it being understood that each airplane when delivered shall be clean and in good operating condition, all in accordance with airline operating standards, but this shall not require any periodic overhaul work prior to the delivery of the airplane. Each airplane shall be licensed for commercial operations with the necessary Civil Aeronautics Authority certificate of airworthiness under transport category of the Civil Air Regulations immediately prior to the delivery of such airplane by Delta to Hughes. Each airplane shall have all necessary equipment (including auto-pilot, radio and galley but excluding emergency equipment for overseas operation) as shall have been standard on said airplane when operated by Delta in regularly scheduled passenger operations. Except as

2

specifically set forth in this paragraph, nothing herein contained shall be construed to warrant, impliedly or otherwise, any of the aircraft, engines or component parts thereof against any structural defects or mechanical malfunctioning. Should any of the airplanes to be sold hereunder have suffered any material damage since March 1, 1954 and prior to delivery thereof hereunder, then Delta will promptly advise Hughes whether it will repair such aircraft and tender it for delivery or whether it will cancel the agreement to deliver such aircraft pursuant to the provisions of paragraph 6 hereof. If delivery of such airplane shall, as a result of any such repair by Delta, be delayed more than 60 days beyond the scheduled delivery date set forth in paragraph 1 hereof, Hughes may cancel this agreement with respect to such airplanes.

3. The purchase price of each airplane as above described shall be one million, fifty thousand dollars (\$1,050,000.00), or a total price for the three (3) airplanes of three million one hundred fifty thousand dollars (\$3,150,000.00). The purchase price of each airplane shall be paid in cash or by certified or cashier's check on delivery of each individual airplane to Hughes.

4. At the time of delivery of each of the said airplanes to Hughes, Delta agrees to turn over to Hughes all of the maintenance and overhaul logs and records in its possession with respect to each such airplane and the engines attached. Delta also agrees that at the time of delivery of each airplane Delta will execute and deliver to Hughes appropriate instruments of sale and assignment transferring good title to the airplane to Hughes free and clear of any mortgage or other encumbrance, in form sufficient to permit recordation of clear title thereto with the Civil Aeronautics Authority, together with all manufacturer's warranties and guaranties, expressed or implied, held by Delta in connection therewith and all rights based thereon or enuring to Delta as original purchaser of said airplanes.

5. Any sales, use, gross receipts or excise tax legally assessed against Delta, by reason of the transactions provided for under this agreement shall be paid by Hughes in addition to the purchase price specified herein. If claim is made against Delta for any such tax, Delta shall immediately notify Hughes.

If seasonably requested by Hughes, Delta shall not pay any such tax except under protest, and if payment be made, shall use all reasonable efforts to obtain a refund thereof. If all or any part of such tax be refunded, Delta shall repay to Hughes so much thereof as Hughes shall have paid. Hughes shall pay to Delta, upon demand, all expenses incurred by Delta in protesting payment of such tax and in endeavoring to obtain such refund.

6. Delta reserves the right to cancel this agreement with respect to any one or more of the aforesaid airplanes in the event that any governmental action, accident or force majeure occurrence or other cause beyond its reasonable control renders such airplane unavailable to Delta for delivery hereunder. In the event of a partial cancellation pursuant to the provisions of this paragraph, such partial cancellation will in no wise effect the obligation of Delta to sell and deliver and the obligation of Hughes to purchase the remaining airplanes covered by this agreement. In the event that Delta should exercise its right to a partial cancellation under this paragraph, Delta shall immediately notify Hughes of such cancellation and of the reasons therefor.

7. It is understood and agreed that wherever the word "Hughes" is used herein, that phrase shall be deemed to include the assigns of Hughes, if, but only if, such assignment shall have been consented to in writing by Delta in advance, and if, but only if, Hughes shall remain primarily liable and obligated for the prompt payment of monies due and performance of the covenants herein provided to be performed by it or its assigns. Other than as hereinbefore provided, this agreement and all of its provisions shall inure to and become binding upon the executors, administrators, successors and assigns of the parties hereto.

8. This agreement supersedes and replaces in its entirety any and all prior agreements, either written or verbal, between the parties hereto or their agents or representatives.

9. This agreement shall be construed in accordance with the laws of the State of New York.

10. This agreement is expressly conditioned upon the approval by the Civil Aeronautics Board of the sale by Delta to Hughes

of the three airplanes enumerated above, if such approval shall be required, and of the sale by Hughes to Trans World Airlines, Inc. of said airplanes.

If the foregoing conforms with our understanding, will you execute the original and duplicate original of this letter in the place indicated below and the same will constitute a contract between us.

Very truly yours,

DELTA AIR LINES, INC.

By _____

Attests

Acceptance:

March , 1954

HUGHES TOOL COMPANY

By _____

Attests

Order No. E-3214

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 1st day of April, 1934.

In the matter of the proposed sale by

DELTA AIR LINES, INC.

Docket No. 6607

of certain Constellation aircraft to
Hughes Tool Company.

In the matter of the application of

HUGHES TOOL COMPANY

Docket No. 1182

for approval under section 408 of the
Civil Aeronautics Act of 1933, as
amended, of the acquisition and control
of

TRANS WORLD AIRLINES, INC.

ORDER MODIFYING ORDER APPROVING ACQUISITION

A motion having been filed by Delta Air Lines, Inc. praying for (1) a finding that (a) the proposed sale of three Constellation aircraft by Delta to Hughes Tool Company, and (b) the acquisition by Trans World Airlines, Inc. (TWA) from Hughes Tool of the same aircraft are transactions which do not come within the provisions of section 408 of the Civil Aeronautics Act of 1933, as amended; (2) or, if section 403 is applicable, for an exemption from the provisions of said section 408 insofar as such provisions would otherwise prevent these transactions without Board approval; and

A separate application having been filed simultaneously by TWA for an order modifying Order Serial No. 3210 issued October 17, 1934 in Docket No. 1182, as amended by subsequent orders, so as to permit the acquisition by TWA of the three Constellations sold to Hughes Tool by Delta as described above in Docket No. 6607;

-2-

The Board, acting pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 205(a), 408, and 1005(d) thereof, and finding that:

1. The proposed sale of three Constellation aircraft by Delta to Hughes Tool does not constitute purchase of a substantial part of Delta's properties within the meaning of section 408; and

2. The further modification of its order in Docket No. 1182, as amended and modified, hereinafter provided for is just and reasonable and is in the public interest;

IT IS ORDERED:

1. Order Serial No. 3210 issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended by adding thereto the following:

"7. That the terms of this order shall not restrict the rights of Trans World Airlines, Inc. to purchase, and Hughes Tool Company to sell, three Constellation aircraft pursuant to the terms and conditions of a sales agreement dated April 1, 1954 between said parties; Provided, That nothing in the Board's action herein shall be construed as constituting an approval for rate-making purposes."

2. The requests of Delta in Docket No. 6607 to the extent not granted herein be and they hereby are dismissed.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan

M. C. Mulligan
Secretary

(221)

original

BEFORE THE
CIVIL AERONAUTICS BOARD

RECEIVED
DOCKET SECTION
JUN 2 3 1938
CAB Docket No. 1182

In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 403 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of :

Docket No. 1182 ✓

TRANS WORLD AIRLINES, INC. :

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

WARREN LEE PIERSON,
Chairman of the Board of Directors,
Trans World Airlines, Inc.
805 Connecticut Avenue, N.W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF,
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, New York

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the Matter of the Application of :

HUGHES TOOL COMPANY. :

for approval under Section 403 of :
the Civil Aeronautics Act of 1938, :
as amended, of the acquisition of :
control of :

Docket No. 1182

TRANS WORLD AIRLINES, INC. :
----- X

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (hereinafter referred to as "TWA") respectfully moves that the Board enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (hereinafter referred to as "Hughes"), so that the terms of such order will not restrict the right of TWA to exercise the following options for the purchase of aircraft, together with related engines and spare parts, and to engage in other transactions relating to the aircraft, engines and spare parts which are the subject matter of such options:

- (1) An option from Hughes to TWA dated April 20, 1956, for the purchase of Lockheed 1049G aircraft, together with related engines and spare parts, a copy of which is attached hereto as Exhibit I, and which is hereinafter referred to as the "1049G option";

(2) A second option from Hughes to TWA dated April 20, 1956, for the purchase of Lockheed 1649A aircraft, together with related engines and spare parts, a copy of which is attached hereto as Exhibit II, and which is hereinafter referred to as the "1649A option".

In support of its motion, TWA shows to the Board the following:

1. The 10490 option offers TWA the right to acquire all of the interest of Hughes in eight new Model 10490 Constellation aircraft acquired by Hughes under a Purchase Agreement between it and Lockheed Aircraft Corporation (hereinafter referred to as "Lockheed") and in spare engines and spare parts acquired by Hughes therefor. The option may be exercised by TWA at any time on or before May 31, 1956 (subject to extension under certain stated conditions).

2. If the 10490 option is exercised, the aircraft, spare engines and spare parts will be purchased by TWA pursuant to a conditional sale contract. TWA will pay Hughes as the purchase price for such aircraft, spare engines and spare parts an amount equivalent to the payments made by Hughes to Lockheed and Hughes' other direct costs incurred in connection with the acquisition of such aircraft, spare engines and spare parts, plus interest at the rate of 3% per annum on advance payments made by Hughes thereon. Such purchase price would be paid by TWA in sixty equal monthly installments with interest on the unpaid balance.

3. The 1649A option offers TWA the right to acquire all of the interest of Hughes in twenty-five Model 1649A Constellation aircraft acquired by Hughes under a Purchase Agreement between it and Lockheed and in spare engines and spare parts acquired by Hughes therefor. The option may be exercised by TWA at any time on or before October 31, 1955 (subject to extension under certain stated conditions).

4. If the 1649A option is exercised, the aircraft, spare engines and spare parts will be purchased by TWA pursuant to a conditional sale contract. TWA will pay Hughes as the purchase price for such aircraft, spare engines and spare parts an amount equivalent to the payments made by Hughes to Lockheed and Hughes' other direct costs incurred in connection with the acquisition of such aircraft, spare engines and spare parts, plus interest at the rate of 3% per annum on advance payments made by Hughes thereon, except that these interest payments shall be reduced by an amount equal to all interest payments received by Hughes from Lockheed under the Purchase Agreement.* Such purchase price would be paid by TWA in sixty equal monthly installments with interest on the unpaid balance.

5. By the terms of both options their exercise is made subject to the approval of the Civil Aeronautics Board. Neither option has been exercised.

* No interest is payable to Hughes by Lockheed under the Purchase Agreement for 1649A aircraft.

6. Prior to the exercise of the options, TWA will undertake inspection functions and will participate in the negotiation of any change orders and the purchase of any customer-furnished equipment or spares to be paid for in the first instance by Hughes, as it would if it had contracted directly with the manufacturer for the purchase of the aircraft, engines and spare parts under option.

7. The eight 1049G aircraft and the twenty-five 1649A aircraft, together with related engines and spare parts, are required for use in TWA's domestic and international operations, and TWA requests modification of the Board's order herein so that it can take advantage of the options.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying the Board's Order Serial No. 3210, as amended, so that the terms of such order will not restrict the right of TWA to exercise the options referred to above and to engage in other transactions relating to the aircraft, engines and spare parts which are the subject matter of such options, and providing such other and further relief as may be appropriate.

Respectfully submitted,
TRANS WORLD AIRLINES, INC.

By Harold L. Johnson

Dated: May 1, 1956.

EXHIBIT I

THE STATE OF TEXAS :
COUNTY OF HARRIS : OPTION

KNOW ALL MEN BY THESE PRESENTS:

1. That for and in consideration of the sum of Ten Dollars (\$10.00) cash and other good and valuable considerations paid by Trans World Airlines, Inc., a Delaware corporation with a principal office and place of business in Kansas City, Missouri (hereinafter called "TWA"), to Hughes Tool Company, a Delaware corporation with its principal office and place of business in Houston, Texas (hereinafter called "Tool Company"), the receipt and sufficiency of all of which consideration is hereby acknowledged by Tool Company, Tool Company has this day given and granted, and does by these presents hereby give and grant, unto TWA the exclusive right and privilege (hereinafter referred to as the "Option") to acquire from Tool Company, at the price and on the terms and conditions hereinafter set out, (1) all the interest of Tool Company in eight (8) new Model 10490 Airplanes, Lockheed Constellation type, (hereinafter called "10490 Airplanes") which may be acquired by Tool Company pursuant to that certain Purchase Agreement dated September 24, 1955 (and Change Order No. 1 thereto, executed as of October 17, 1955) between Lockheed Aircraft Corporation (hereinafter called "Lockheed"), as Seller, and Tool Company, as Buyer, including all of the rights of Tool Company under such Purchase Agreement, as amended, and under all change orders and letter agreements incident

thereto (which with said Purchase Agreement, as amended, are hereinafter collectively referred to as "The Purchase Agreement"), a copy of The Purchase Agreement having been heretofore furnished to counsel for TWA; (2) all the interest of Tool Company in any spare engines (having a maximum purchase price as defined in paragraph 5 of up to \$726,000) that may have been or may be acquired by Tool Company for use in the 1049G Airplanes, including Tool Company's interest in any purchase agreement relating thereto; and (3) all the interest of Tool Company in any other spare parts (having a maximum purchase price as defined in paragraph 5 of up to \$1,524,000) which may have been or may be acquired by Tool Company for use in connection with the 1049G Airplanes, including Tool Company's interest in any purchase agreement relating thereto. For the purposes of this Option the term "spare parts" shall include extra propeller assemblies and airframe spare parts, spare parts for airplane engines and for propeller assemblies and other accessories, flight equipment and parts for use on or in connection with the operation or maintenance of aircraft.

2. If the Option is exercised, the 1049G Airplanes, the spare engines and spare parts purchased by Tool Company will be sold by Tool Company to TWA pursuant to a conditional sale contract in substantially the form attached hereto as Exhibit A. The interest rate on the unpaid balances payable by TWA under such conditional

sale contract shall be the average interest rate payable by Tool Company on any indebtedness incurred by it for the purpose of purchasing the 1049G Airplanes, the spare engines and spare parts therefor (including any indebtedness proposed to be secured by the assignment of Tool Company's interest in such conditional sale contract), or if no such indebtedness is incurred the prime commercial interest rate current in New York City at the time of the execution of such conditional sale contract.

3. TWA may exercise said Option by sending, by registered mail, a notice in writing to that effect to Tool Company addressed as follows:

Hughes Tool Company
2200 Gulf Building
Houston 2, Texas

Attention: Mr. C. H. Price

The Option may be exercised only as to all the 1049G Airplanes, spare engines and spare parts referred to in paragraph 1. Said Option may be exercised by TWA at any time on or before May 31, 1956; provided, however, that if prior to May 31, 1956, (or prior to such later option exercise date as may be authorized by this paragraph) the scheduled delivery date for the first airplane under The Purchase Agreement has been deferred for a period beyond June 30, 1956, by reason of a good faith written agreement between Tool Company and Lockheed or by reason of a claim of such deferment asserted in writing by Lockheed and not contested in good faith

by Tool Company, then in such event the option exercise date shall be deferred for an identical period of time. In the event this Option shall not have been exercised on or before the option exercise date as above determined, then this Option shall thereupon terminate, and subsequent deferments of the aforesaid delivery date shall not effect a revival of the lapsed Option.

4. The purchase price of each 10490 Airplane purchased by TWA pursuant to the option herein granted shall be the sum of the followings:

(1) The amounts Tool Company shall have paid Lockheed for such airplane.

(2) All additional direct costs which are paid or incurred by Tool Company and are attributable to such airplane, including, but not limited to, costs of "customer furnished equipment" provided for in Article 18 of The Purchase Agreement. To the extent that any such costs are not specifically attributable to a particular airplane they shall be allocated equally among the airplanes at the time not delivered to TWA.

(3) An amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Tool Company applicable to such airplane. The average amount of the outstanding advance payments applicable to each airplane shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 4 as outstanding from the

respective dates such payments were made or such costs were incurred by Tool Company and until the delivery of such airplane to TWA under the conditional sale contract;

(4) The assumption by TWA of all liabilities and obligations of Tool Company to Lockheed arising out of The Purchase Agreement..

5. The purchase price of the spare engines and spare parts purchased by TWA pursuant to the Option herein granted shall be the sum of the followings:

(1) the total payments made therefor by Tool Company to the vendors of such spare engines or spare parts;

(2) all additional direct costs which are paid or incurred by Tool Company and are attributable to such spare engines and spare parts or to the purchase thereof;

(3) an amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Tool Company applicable to such spare engines and spare parts. The average amount of the outstanding advance payments applicable to spare engines and spare parts shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 5 as outstanding from the respective dates such payments were made or such costs were incurred and until the delivery of the first 1049G Airplane to TWA under the conditional sale contract;

(4) any additional amount which, at the time of the delivery of the first 1049G Airplane to TWA, Tool Company is committed to pay to suppliers of spare engines and spare parts;

(5) the assumption by TWA of all other liabilities and obligations of Tool Company to the vendors of such spare engines and spare parts arising out of the purchase thereof.

6. In the event that the purchase price of the 1049G Airplanes differs from the amount computed at the time of the delivery thereof to TWA or in the event that the aggregate net amount which Tool Company is required to pay for the spare engines and spare parts in a final accounting with the suppliers thereof differs from the amount used in computing the purchase price thereof pursuant to paragraph 5, separate and independent adjustments will be made by payment from one party to the other of such difference. Similarly, Tool Company will reimburse TWA for any interest paid by TWA with respect to any portion of the purchase price of the spare engines and spare parts which is unpaid at the time of delivery of the first 1049G Airplane, to the extent and for the period that Tool Company has not earned such interest by having made payments to the suppliers.

7. The exercise of this Option by TWA shall be subject to the approval of the Civil Aeronautics Board or the receipt by Tool Company of an opinion of

counsel for TWA that such approval is not necessary.

8. The foregoing Option is subject to the right of Tool Company, at any time prior to the exercise by TWA of this Option, to exercise any and all of Tool Company's rights and privileges under The Purchase Agreement; and nothing herein shall be construed as in any wise limiting, restricting, prohibiting, or otherwise affecting the exercise by Tool Company of its rights under The Purchase Agreement.

9. This Option shall be binding upon and inure to the benefit of Tool Company and TWA and their respective successors and assigns; provided, however, that TWA may not assign this Option without the prior written consent of Tool Company, and any attempted assignment without such consent shall, at the option of Tool Company, effect a termination of this Option.

10. This Option shall supersede the option granted by Tool Company to TWA dated November 10, 1955 relating to the 1049G Airplanes, which option is hereby revoked.

EXECUTED this 20th day of April, A.D. 1956.

HUGHES TOOL COMPANY

By /s/ Raymond M. Holliday
Vice President

[Corporate Seal]

ATTESTED:

/s/ C. H. PRICE
Assistant Secretary

Exhibit ACONDITIONAL SALE CONTRACT

Contract of Conditional Sale made as of the
day of _____, 1956, between HUGHES TOOL COMPANY, a
Delaware corporation (hereinafter sometimes called the
"Seller"), with its principal place of business at Houston,
Texas, and TRANS WORLD AIRLINES, INC., a Delaware corpora-
tion (hereinafter sometimes called the "Buyer"), with its
principal place of business at Kansas City, Missouri,

THE INTEREST OF THE SELLER IN THE AIRCRAFT AND
EQUIPMENT COVERED HEREBY IS THAT OF A CONDITIONAL
SELLER AND THE INTEREST OF THE BUYER THEREIN IS
THAT OF A CONDITIONAL BUYER.

W I T N E S S E T H :

WHEREAS, Hughes has contracted to purchase from
Lockheed Aircraft Corporation (hereinafter called "Lockheed")
the eight (8) Model L-10490 Lockheed Constellation Airplanes
identified as follows:

C.A.A. Registration No.

Mfg. Serial No.

together with the airplane engines (each of which is of
750 or more rated take-off horsepower and will be later
identified by manufacturer's serial number in a supplement
to this Conditional Sale Contract) installed in each thereof
on the date of delivery of such airplanes to Hughes and to-
gether with the propeller assemblies and all other equipment

and accessories attached to such airplanes and engines on the date of delivery of such airplanes to Hughes (hereinafter called "the Airplanes");

WHEREAS, Hughes has also contracted to purchase from various vendors extra airplane engines (each of which is of 750 or more rated take-off horsepower and will be later identified by manufacturer's serial number in a supplement to this Conditional Sale Contract) and propeller assemblies and airframe spare parts, spare parts for airplane engines and for propeller assemblies, and other accessories, flight equipment and parts, for use on or in connection with the operation or maintenance of the Airplanes at, in or near repair or overhaul bases, airports, airfields, landing strips, hangars, warehouses, storerooms and buildings owned, operated, leased or used by Buyer at any one or more of the locations shown on Exhibit 1 annexed hereto (all of which engines, propeller assemblies, parts, accessories and equipment are hereinafter referred to as "Spares"); and

WHEREAS, Hughes desires to sell and TWA desires to buy the Airplanes and Spares pursuant to the conditional sale arrangements set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Seller agrees to sell to Buyer and Buyer agrees to purchase the Airplanes and Spares upon the terms and conditions hereinafter set forth.

2. (a) Simultaneously upon conveyance of title to each Airplane from Lockheed to Seller, such Airplane shall forthwith be delivered to Buyer and Buyer shall accept such delivery at Lockheed Air Terminal, Burbank, California, or at such other place to which the Airplane has been delivered to Seller by Lockheed.

(b) Seller shall deliver the Spares, or cause them to be delivered, to Buyer at Kansas City, Missouri, or such other place as may be designated by Buyer, such deliveries to be made upon delivery of the first Airplane to Buyer, or as soon thereafter as practicable, and with respect to Spares not then delivered to Seller, upon delivery of such Spares to Seller, or as soon thereafter as practicable.

3. (a) The purchase price of each Airplane for purposes of this Contract shall be the aggregate of

(1) The amounts Seller shall have paid Lockheed for such Airplane at the time of its delivery to Buyer hereunder;

(2) All additional direct costs which have been paid or incurred by Seller at the time of the delivery of such Airplane to Buyer and are attributable to such Airplane, including, but not limited to, costs of "customer furnished equipment". To the extent that any such costs are not specifically attributable to a particular Airplane they shall be allocated equally among the Airplanes at the time not delivered to Buyer;

(3) An amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Airplane. The average amount of the outstanding advance payments applicable to each Airplane shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(a) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of such Airplane to Buyer under this Contract.

(b) The purchase price of Spares for purposes of this Contract shall be the aggregate of

(1) the total payments made therefor by Seller to the vendors of such Spares at the time of the delivery of the first Airplane to Buyer hereunder;

(2) all additional direct costs which have been paid or incurred by Seller at the time of the delivery of the first Airplane to Buyer and are attributable to such Spares or to the purchase thereof;

(3) an amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Spares. The average amount of the outstanding advance payments applicable to Spares shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(b) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of the first Airplane to Buyer under this contract;

(4) any additional amount which, at the time of the delivery of the first Airplane to Buyer hereunder, Seller is committed to pay to suppliers of Spares.

(c) The purchase price of each Airplane and the purchase price of Spares shall each be paid by Buyer to Seller in sixty (60) equal consecutive monthly installments, together with interest on the unpaid balance at the rate of per cent (%) per annum. The first of such payments relating to each Airplane shall be made at the time of delivery of such Airplane, and the first of such payments relating to

Spares shall be made at the time of delivery of the first Airplane. As to each Airplane, and as to Spares, the second and succeeding payments shall be made monthly on the first day of the months succeeding the month in which the first payment is required to be paid, until the whole of each such purchase price shall have been paid. All payments shall be made to the Seller at the Hughes Tool Company, Houston, Texas.

(d) In the event that the purchase price of the Airplanes differs from the amount computed at the time of the delivery thereof to Buyer hereunder or in the event that the aggregate net amount which Seller is required to pay for the Spares in a final accounting with the suppliers thereof differs from the amount used in computing the purchase price thereof pursuant to subparagraph 3(b), separate and independent adjustments will be made by payment from one party to the other of such difference. Similarly, Seller will reimburse Buyer for any interest paid by Buyer with respect to any portion of the purchase price of the Spares which is unpaid at the time of delivery of the first Airplane hereunder, to the extent and for the period that Seller has not earned such interest by having made payments to the suppliers.

4. Title to the Airplanes and Spares shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes and Spares shall pass to Buyer.

5. Upon the happening of any one or more of the following events, namely:

(a) default in making any payment, in the manner herein specified, of any monthly installment of the purchase price of the Airplanes or Spares and such default shall continue unremedied for five (5) days after written notice thereof shall have been delivered by Seller to Buyer; or

(b) default shall be made by the Buyer in the observance or performance by the Buyer of any other covenant or agreement contained herein, and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been delivered by Seller to Buyer; or

(c) the Buyer shall become insolvent, or shall file a voluntary petition in bankruptcy, or shall file a voluntary petition or answer seeking or consenting to reorganization pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors, or shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall consent to the appointment of a receiver or trustee of or for it or a substantial part of its property; or

(d) an order shall be entered pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors approving a petition seeking a reorganization of, or if an order shall be entered appointing a receiver or trustee of, or for any substantial part of the property of, or if a warrant of attachment shall be issued against any substantial part of the property of, the Buyer, and any such order is not dismissed or stayed within sixty (60) days from its entry or such attachment is not dismissed

or bonded within thirty (30) days from its levy; or

(e) the Bonds at the time issued and outstanding under that certain Indenture, dated as of December 1, 1954, between Buyer and Irving Trust Company, as Trustee, as said Indenture may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Bonds as set forth therein, upon the occurrence of any of the "events of default" described in said Indenture, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof); or

(f) the Notes at the time issued and outstanding under that certain Chattel Mortgage, dated as of December 20, 1954, between Buyer and Irving Trust Company, as Trustee, as said Chattel Mortgage may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Notes as set forth therein, upon the occurrence of any of the "events of default" described in said Chattel Mortgage, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof);

then Seller may at once (or at any later time) proceed to take possession of the Airplanes and Spares in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes or Spares may be and take possession thereof and remove the same. Seller may resell the Airplanes and Spares, so retaken, at public or private sale, with or without having such Airplanes and Spares at the place of sale, and upon such terms and in such manner

as Seller may determine. Notice of the intention of Seller to so sell the Airplanes and Spares shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale, Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes and Spares, including any reasonable attorneys' fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane or Spares falling due after Seller has taken possession of such Airplane or Spares pursuant to this provision.

6. From and after delivery of the Airplanes and Spares to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes,

(a) Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes and Spares. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

(b) Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in such amounts and with such companies as shall be satis-

factory to Seller. If any such Airplane shall be lost, destroyed or damaged to such an extent that repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of such Airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Upon such payment to the Seller of insurance to the extent of the unpaid balance of the purchase price of any Airplane, absolute title to the Airplane so damaged or to any parts of an Airplane so destroyed shall vest in Buyer and Seller shall deliver to Buyer such proper documents of title with respect thereto as Buyer may reasonably require. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplane falling due after such loss, destruction or damage. Any insurance proceeds in excess of the amount payable to the Seller, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

7. Buyer may at any time pay to Seller the unpaid balance of the purchase price of the Airplanes and Spares or any part thereof, without premium or penalty.

8. Upon the payment to Seller of the balance of the purchase price of the Airplanes and Spares together with all other amounts owing to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate.

(a) a bill of sale duly vesting in Buyer the title to the Airplanes and Spares free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of the Airplanes and Spares to Seller and not arising

out of the possession, use or operation of the Airplanes and Spares by Buyer, and

(b) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

9. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the Airplanes and Spares or the purchase thereof by Seller, then in addition to the sales price provided for in paragraph 3, Buyer shall pay to Seller the amount thereof, upon demand.

10. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower.

11. The Buyer agrees that it will pay and discharge all taxes, assessments, governmental charges and all charges for keep, repairs, storage, maintenance or accessories, which if unpaid might become a lien, charge or encumbrance upon or against any of the Airplanes or Spares; and upon the failure of the Buyer so to do the Seller may make any such payment; provided, however, that nothing herein contained shall require the Buyer to pay such tax, assessment or charge so long as the Buyer shall in good faith contest the validity thereof and shall furnish the Seller such bond or indemnity as the Seller shall require, unless, in the judgment of the Seller, forfeiture is likely to result from any such failure to pay. Any sum or sums so paid by the Seller, together with interest thereon at the highest lawful rate, shall be and become a part of the sum which

the Buyer is required to pay under this Contract, and shall immediately, without demand, be due and be repaid by the Buyer to the Seller.

The Buyer will, upon written request from the Seller,

(a) reimburse the Seller for all filing or recording fees incurred in connection with filing or recording or refiling or re-recording this Contract and all supplements and additions hereto, if any;

(b) execute and deliver to the Seller all such further documents and instruments and do such further acts as may be necessary to perfect the rights of the Seller herein contemplated; and

(c) furnish to the Seller at reasonable intervals reports and certificates setting forth all the information necessary to inform the Seller as to the continued existence, location and condition of the Airplanes and Spares. The Seller shall also have the right to inspect the Airplanes and Spares at all times when the same are not in use and when such inspection can be had without undue inconvenience or expense to the Buyer.

12. Buyer agrees to maintain the Airplanes and Spares in good repair and working condition at its own expense, except any airplane lost, destroyed or so damaged that insurance with respect thereto is payable to the Seller pursuant to paragraph 6 hereof. Subject to the proper performance of such covenant, the Buyer may make repairs and replacements to the Airplanes and Spares and may substitute for engines, propellers and any other equipment installed in or attached to the Airplanes or Spares, engines, propellers or other equipment of substantially the same

kind and value; provided, however, that no removal of any such engines, propellers, or equipment, and no replacement thereof, shall divest Seller of its superior title thereto, or render any such removed or replaced equipment subject to the lien or claim of any person other than Seller, UNLESS and UNTIL such equipment is replaced by equipment of substantially the same kind and value, the title to which, upon such equipment being installed in or attached to the Airplanes or Spares, may validly vest in Seller free and clear of the lien or claim of any other person, subject to the provisions of paragraph 14 hereof. In the case of any such permitted substitution, title to the substituted equipment shall immediately vest in Seller and become subject to the provisions of this Conditional Sale Contract and remain so vested and so subject unless and until substituted for in the manner hereinabove permitted; and title to the equipment substituted for shall vest in Buyer.

13. Until title to the Airplanes and Spares shall have passed to the Buyer hereunder, the Buyer shall have no right, power or authority to sell, transfer, assign, mortgage or encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof (except as provided in paragraph 12 hereof) or any interest therein, and the Buyer hereby agrees that, except as permitted by paragraph 12 hereof, the Buyer will not (voluntarily or involuntarily) sell, transfer, mortgage, encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof or any interest therein. Buyer agrees, except as provided herein, that the Airplanes and Spares will be used exclusively for its commercial air transport operations and related activities and that it

will not permit the Airplanes and Spares to be used or possessed by others. Buyer may permit the use of the Airplanes and Spares by other airlines with which Buyer enters into interchange agreements provided that any such use by other airlines shall for the purposes of this agreement be considered to be use by the Buyer.

14. To the extent, if any, that there is a conflict between any of the provisions of this agreement and any of the provisions of the Indenture of Mortgage dated as of December 1, 1954 between the Buyer and Irving Trust Company, as Trustee, or of the Chattel Mortgage dated as of December 20, 1954 between the Buyer and Irving Trust Company, as Trustee, the provisions of said Indenture and said Chattel Mortgage shall prevail and the provisions of this agreement shall be deemed amended to the extent necessary to avoid such conflict. Seller recognizes the liens created by (a) Granting Clause VI of said Indenture and (b) Granting Clause III of said Chattel Mortgage as prior liens on the aircraft engines and on the propellers, appliances and spare parts relating to the Airplanes or Spares when and so long as they shall be installed in, attached to or incorporated in any of the aircraft or aircraft engines at any time subject to the lien of said Indenture or of said Chattel Mortgage, as the case may be.

Seller agrees that so long as all the Bonds issued under said Indenture at the time outstanding shall be held by the original purchaser thereof, (a) Seller will not repossess the Airplanes or Spares, in the event of a default by Buyer under this agreement, without affording such original purchaser reasonable notice of such default and a reasonable opportunity to remedy the same and (b) such

original purchaser shall have the right, at its option, to purchase at any time all the interest of Seller hereunder by paying to Seller the then remaining balance of the purchase price hereunder plus accrued interest.

Seller also agrees that in the event of a default by Buyer hereunder, the rights and remedies of Seller shall be limited to repossession of the Airplanes and Spares.

15. Before delivery of each Airplane to Buyer hereunder, Buyer will cause to be fastened thereon in a location reasonably adjacent to, and not less prominent than that of, the airworthiness certificate for such Airplane, a plate no larger than four inches by seven inches (4" x 7") bearing the following legends:

"Hughes Tool Company holds legal title
to this Airplane as Conditional Seller."

Buyer shall maintain such name plate in such location or in one of at least equal prominence and visibility at all times. Buyer may affix to the Airplanes Buyer's name, insignia or other legends customarily displayed by Buyer on its airplanes.

16. Buyer shall indemnify and hold harmless Seller, its agents and its employees from any and all liability for losses, expenses, damages, demands and claims in connection with or arising out of any death of, or injury or alleged injury or damage to, persons or property sustained, or alleged to have been sustained, in connection with or arising or alleged to have arisen out of Buyer's possession, use or operation of the Airplanes or Spares and Buyer agrees to handle any claim and defend any suit or action brought against Seller, its agents or its employees, or any of them, based on any such death, injury or damage, or alleged injury or damage, and to pay all damages, costs and expenses,

including attorneys' fees, in connection therewith or resulting therefrom.

Buyer's liability to Seller under this paragraph 16 is conditioned upon Seller's promptly giving notice to Buyer of institution of such suit or action or of receipt of such claim or demand. Buyer shall have the option at any time to conduct negotiations with the party or parties making any such claim or demand, and may intervene in any such suit or action. Whether or not Buyer intervenes in any such suit or action, it shall be entitled to assume, conduct or control the defense thereof, and Seller shall not settle or discharge any such claim, demand, suit, action or judgment without prior notice to and the consent of Buyer.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this agreement as of the day and year first above written.

HUGHES TOOL COMPANY

By _____
Vice President

Attest:

Assistant Secretary

TRANS WORLD AIRLINES, INC.

By _____
Vice President - Finance

Attest:

Assistant Secretary

DX321 - 7a

EXHIBIT II

THE STATE OF TEXAS :

COUNTY OF HARRIS :

OPTION

KNOW ALL MEN BY THESE PRESENTS:

1. That for and in consideration of the sum of Ten Dollars (\$10.00) cash and other good and valuable considerations paid by Trans World Airlines, Inc., a Delaware corporation with a principal office and place of business in Kansas City, Missouri (hereinafter called "TWA"), to Hughes Tool Company, a Delaware corporation with its principal office and place of business in Houston, Texas (hereinafter called "Tool Company"), the receipt and sufficiency of all of which consideration is hereby acknowledged by Tool Company, Tool Company has this day given and granted, and does by these presents hereby give and grant, unto TWA the exclusive right and privilege (hereinafter referred to as the "Option") to acquire from Tool Company, at the price and on the terms and conditions hereinafter set out, (1) all the interest of Tool Company in twenty-five (25) new Model 1649A Airplanes, Lockheed Constellation type, (hereinafter called "1649A Airplanes") which may be acquired by Tool Company pursuant to that certain Purchase Agreement dated December 23, 1954 between Lockheed Aircraft Corporation (hereinafter called "Lockheed"), as Seller, and Tool Company, as Buyer, including all of the rights of Tool Company under such Purchase Agreement, as amended, and under all change orders and letter agreements incident thereto (which with said Purchase Agreement, as amended,

are hereinafter collectively referred to as "The Purchase Agreement"), a copy of The Purchase Agreement having been heretofore furnished to counsel for TWA; (2) all the interest of Tool Company in any spare engines (having a maximum purchase price as defined in paragraph 5 of up to \$5,300,000) that may have been or may be acquired by Tool Company for use in the 1649A Airplanes, including Tool Company's interest in any purchase agreement relating thereto; and (3) all the interest of Tool Company in any other spare parts (having a maximum purchase price as defined in paragraph 5 of up to \$5,700,000) which may have been or may be acquired by Tool Company for use in connection with the 1649A Airplanes, including Tool Company's interest in any purchase agreement relating thereto. For the purposes of this Option the term "spare parts" shall include extra propeller assemblies and airframe spare parts, spare parts for airplane engines and for propeller assemblies and other accessories, flight equipment and parts for use on or in connection with the operation or maintenance of aircraft.

2. If the Option is exercised, the 1649A Airplanes, the spare engines and spare parts purchased by Tool Company will be sold by Tool Company to TWA pursuant to a conditional sale contract in substantially the form attached hereto as Exhibit A. The interest rate on the unpaid balances payable by TWA under such conditional sale contract shall be the average interest rate payable by Tool Company on any indebtedness incurred

by it for the purpose of purchasing 1649A Airplanes, the spare engines and spare parts therefor (including any indebtedness proposed to be secured by the assignment of Tool Company's interest in such conditional sale contract), or if no such indebtedness is incurred, the prime commercial interest rate current in New York City at the time of the execution of such conditional sale contract.

3. TWA may exercise said Option by sending, by registered mail, a notice in writing to that effect to Tool Company addressed as follows:

Hughes Tool Company
2200 Gulf Building
Houston 2, Texas

Attention: Mr. C. H. Price

The Option may be exercised only as to all the 1649A Airplanes, spare engines and spare parts referred to in paragraph 1. Said Option may be exercised by TWA at any time on or before October 31, 1956; provided, however, that if prior to October 31, 1956, (or prior to such later option exercise date as may be authorized by this paragraph) the scheduled delivery date for the first airplane under The Purchase Agreement has been deferred for a period beyond April 30, 1957, by reason of a good faith written agreement between Tool Company and Lockheed or by reason of a claim of such deferment asserted in writing by Lockheed and not contested in good faith by Tool Company; then in such event the option exercise date shall be deferred for an identical period of time. In the event this

Option shall not have been exercised on or before the option exercise date as above determined, then this Option shall thereupon terminate, and subsequent deferments of the aforesaid delivery date shall not effect a revival of the lapsed Option.

4. The purchase price of each 1649A Airplane purchased by TWA pursuant to the option herein granted shall be the sum of the following:

(1) The amounts Tool Company shall have paid Lockheed for such airplane.

(2) All additional direct costs which are paid or incurred by Tool Company and are attributable to such airplane, including, but not limited to, costs of "customer supplied equipment" provided for in Article 18 of The Purchase Agreement. To the extent that any such costs are not specifically attributable to a particular airplane they shall be allocated equally among the airplanes at the time not delivered to TWA.

(3) An amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Tool Company applicable to such airplane; less, however, an amount equal to the sum of all interest payments received by Tool Company from Lockheed under Letter Agreement No. 3 (SL/98053) of The Purchase Agreement. Said sum of interest payments received by Tool Company from Lockheed, shall be credited only against that part of the purchase price provided for by this subparagraph (3), and shall in no event reduce that part of the purchase price represented by subparagraphs (1), (2) or (4) of this

paragraph. The average amount of the outstanding advance payments applicable to each airplane shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph as outstanding from the respective dates such payments were made or such costs were incurred by Tool Company and until the delivery of such airplane to TWA under the conditional sale contract;

(4) The assumption by TWA of all liabilities and obligations of Tool Company to Lockheed arising out of The Purchase Agreement.

5. The purchase price of the spare engines and spare parts purchased by TWA pursuant to the Option herein granted shall be the sum of the followings:

(1) the total payments made therefor by Tool Company to the vendors of such spare engines or spare parts;

(2) all additional direct costs which are paid or incurred by Tool Company and are attributable to such spare engines and spare parts or to the purchase thereof;

(3) an amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Tool Company applicable to such spare engines and spare parts. The average amount of the outstanding advance payments applicable to spare engines and spare parts shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph as outstanding from the respective dates such

payments were made or such costs were incurred and until the delivery of the first 1649A Airplane to TWA under the conditional sale contract;

(4) any additional amount which, at the time of the delivery of the first 1649A Airplane to TWA, Tool Company is committed to pay to suppliers of spare engines and spare parts;

(5) the assumption by TWA of all other liabilities and obligations of Tool Company to the vendors of such spare engines and spare parts arising out of the purchase thereof.

6. In the event that the purchase price of the 1649A Airplanes differs from the amount computed at the time of the delivery thereof to TWA or in the event that the aggregate net amount which Tool Company is required to pay for the spare engines and spare parts in a final accounting with the suppliers thereof differs from the amount used in computing the purchase price thereof pursuant to paragraph 5, separate and independent adjustments will be made by payment from one party to the other of such difference. Similarly, Tool Company will reimburse TWA for any interest paid by TWA with respect to any portion of the purchase price of the spare engines and spare parts which is unpaid at the time of delivery of the first 1649A Airplane, to the extent and for the period that Tool Company has not earned such interest by having made payments to the suppliers.

7. The exercise of this Option by TWA shall be subject to the approval of the Civil Aeronautics Board

or the receipt by Tool Company of an opinion of counsel for TWA that such approval is not necessary.

8. The foregoing Option is subject to the right of Tool Company, at any time prior to the exercise by TWA of this Option, to exercise any and all of Tool Company's rights and privileges under The Purchase Agreement; and nothing herein shall be construed as in any wise limiting, restricting, prohibiting, or otherwise affecting the exercise by Tool Company of its rights under The Purchase Agreement.

9. This Option shall be binding upon and inure to the benefit of Tool Company and TWA and their respective successors and assigns; provided, however, that TWA may not assign this Option without the prior written consent of Tool Company, and any attempted assignment without such consent shall, at the option of Tool Company, effect a termination of this Option.

10. This Option shall supersede the option granted by Tool Company to TWA dated November 10, 1955 relating to the 1649A Airplanes, which option is hereby revoked.

EXECUTED this 20th day of April, A.D. 1956.

HUGHES TOOL COMPANY

By /s/ Raymond H. Holliday
Vice President

[Corporate Seal]

ATTESTED:

/s/ C. H. PRICE
Assistant Secretary

Exhibit ACONDITIONAL SALE CONTRACT

Contract of Conditional Sale made as of the
day of _____, 195 , between HUGHES TOOL COMPANY, a
Delaware corporation (hereinafter sometimes called the
"Seller"), with its principal place of business at Houston,
Texas, and TRANS WORLD AIRLINES, INC., a Delaware corporation
(hereinafter sometimes called the "Buyer"), with its
principal place of business at Kansas City, Missouri,

THE INTEREST OF THE SELLER IN THE AIRCRAFT AND
EQUIPMENT COVERED HEREBY IS THAT OF A CONDITIONAL
SELLER AND THE INTEREST OF THE BUYER THEREIN IS
THAT OF A CONDITIONAL BUYER.

W I T N E S S E T H :

WHEREAS, Hughes has contracted to purchase from
Lockheed Aircraft Corporation (hereinafter called "Lockheed")
the twenty-five (25) Model L-1649A Lockheed Constellation
Airplanes identified as follows:

C.A.A. Registration No.

Mfg. Serial No.

together with the airplane engines (each of which is of
750 or more rated take-off horsepower and will be later
identified by manufacturer's serial number in a supplement
to this Conditional Sale Contract) installed in each thereof
on the date of delivery of such airplanes to Hughes and to-
gether with the propeller assemblies and all other equipment

and accessories attached to such airplanes and engines on the date of delivery of such airplanes to Hughes (hereinafter called "the Airplanes");

WHEREAS, Hughes has also contracted to purchase from various vendors extra airplane engines (each of which is of 750 or more rated take-off horsepower and will be later identified by manufacturer's serial number in a supplement to this Conditional Sale Contract) and propeller assemblies and airframe spare parts, spare parts for airplane engines and for propeller assemblies, and other accessories, flight equipment and parts, for use on or in connection with the operation or maintenance of the Airplanes at, in or near repair or overhaul bases, airports, airfields, landing strips, hangars, warehouses, storerooms and buildings owned, operated, leased or used by Buyer at any one or more of the locations shown on Exhibit 1 annexed hereto (all of which engines, propeller assemblies, parts, accessories and equipment are hereinafter referred to as "Spares"); and

WHEREAS, Hughes desires to sell and TWA desires to buy the Airplanes and Spares pursuant to the conditional sale arrangements set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Seller agrees to sell to Buyer and Buyer agrees to purchase the Airplanes and Spares upon the terms and conditions hereinafter set forth.

2. (a) Simultaneously upon conveyance of title to each Airplane from Lockheed to Seller, such Airplane shall forthwith be delivered to Buyer and Buyer shall accept such delivery at Lockheed Air Terminal, Burbank, California, or at such other place to which the Airplane has been delivered by Lockheed.

(b) Seller shall deliver the Spares, or cause them to be delivered, to Buyer at Kansas City, Missouri, or such other place as may be designated by Buyer, such deliveries to be made upon delivery of the first Airplane to Buyer, or as soon thereafter as practicable, and with respect to Spares not then delivered to Seller, upon delivery of such Spares to Seller, or as soon thereafter as practicable.

3. (a) The purchase price of each Airplane for purposes of this Contract shall be the aggregate of

(1) The amounts Seller shall have paid Lockheed for such Airplane at the time of its delivery to Buyer hereunder;

(2) All additional direct costs which have been paid or incurred by Seller at the time of the delivery of such Airplane to Buyer and are attributable to such Airplane, including, but not limited to, costs of "customer furnished equipment". To the extent that any such costs are not specifically attributable to a particular Airplane they shall be allocated equally among the Airplanes at the time not delivered to Buyer;

(3) An amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Airplanes; less, however, an amount equal to the sum of all interest payments received by Seller from Lockheed for advance payments made by Seller to Lockheed in connection with the purchase agreement between them covering the Airplanes. Said sum of interest payments received by Seller from Lockheed shall be credited only against that part of the purchase price provided for by this subparagraph (3), and shall in no event reduce that part of the purchase price represented by subparagraphs (1) and (2) of this paragraph.

applicable to each Airplane shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(a) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of such Airplane to Buyer under this Contract.

(b) The purchase price of Spares for purposes of this Contract shall be the aggregate of

(1) the total payments made therefor by Seller to the vendors of such Spares at the time of the delivery of the first Airplane to Buyer hereunder;

(2) all additional direct costs which have been paid or incurred by Seller at the time of the delivery of the first Airplane to Buyer and are attributable to such Spares or to the purchase thereof;

(3) an amount equal to interest at the rate of three per cent (3%) per annum on the average amount of the outstanding advance payments made by Seller applicable to such Spares. The average amount of the outstanding advance payments applicable to Spares shall be computed by considering the payments made or costs incurred as set forth in subparagraphs (1) and (2) of this paragraph 3(b) as outstanding from the respective dates such payments were made or such costs were incurred by Seller and until the delivery of the first Airplane to Buyer under this contract;

(4) any additional amount which, at the time of the delivery of the first Airplane to Buyer hereunder, Seller is committed to pay to suppliers of Spares.

(c) The purchase price of each Airplane and the purchase price of Spares shall each be paid by Buyer to Seller in sixty (60) equal consecutive monthly installments, together with interest on the unpaid balance at the rate of per cent (%) per annum. The first of such payments

relating to each Airplane shall be made at the time of delivery of such Airplane, and the first of such payments relating to Spares shall be made at the time of delivery of the first Airplane. As to each Airplane, and as to Spares, the second and succeeding payments shall be made monthly on the first day of the months succeeding the month in which the first payment is required to be paid, until the whole of each such purchase price shall have been paid. All payments shall be made to the Seller at the Hughes Tool Company, Houston, Texas.

(d) In the event that the purchase price of the Airplanes differs from the amount computed at the time of the delivery thereof to Buyer hereunder or in the event that the aggregate net amount which Seller is required to pay for the Spares in a final accounting with the suppliers thereof differs from the amount used in computing the purchase price thereof pursuant to subparagraph 3(b), separate and independent adjustments will be made by payment from one party to the other of such difference. Similarly, Seller will reimburse Buyer for any interest paid by Buyer with respect to any portion of the purchase price of the Spares which is unpaid at the time of delivery of the first Airplane hereunder, to the extent and for the period that Seller has not earned such interest by having made payments to the suppliers.

4. Title to the Airplanes and Spares shall not pass to Buyer by delivery, but shall remain in Seller until such time as the purchase price shall have been paid in full and Buyer shall have paid to Seller all other sums then due and payable to Seller hereunder, whereupon absolute title to the Airplanes and Spares shall pass to Buyer.

5. Upon the happening of any one or more of the following events, namely:

(a) default in making any payment, in the manner herein specified, of any monthly installment of the purchase price of the Airplanes or Spares and such default shall continue unremedied for five (5) days after written notice thereof shall have been delivered by Seller to Buyer; or

(b) default shall be made by the Buyer in the observance or performance by the Buyer of any other covenant or agreement contained herein, and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been delivered by Seller to Buyer; or

(c) the Buyer shall become insolvent, or shall file a voluntary petition in bankruptcy, or shall file a voluntary petition or answer seeking or consenting to reorganization pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors, or shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors, or shall consent to the appointment of a receiver or trustee of or for it or a substantial part of its property; or

(d) an order shall be entered pursuant to or purporting to be pursuant to the Acts of Congress relating to bankruptcy or any other statute, state or Federal, for the relief of debtors approving a petition seeking a reorganization of, or if an order shall be entered appointing a receiver or trustee of, or for any substantial part of the property of, or if a warrant of attachment shall be issued against any substantial part of the property of, the Buyer, and any such order is not dismissed or stayed within sixty (60) days from its entry or such attachment is not dismissed

or bonded within thirty (30) days from its levy; or

(e) the Bonds at the time issued and outstanding under that certain Indenture, dated as of December 1, 1954, between Buyer and Irving Trust Company, as Trustee, as said Indenture may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Bonds as set forth therein, upon the occurrence of any of the "events of default" described in said Indenture, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof); or

(f) the Notes at the time issued and outstanding under that certain Chattel Mortgage, dated as of December 20, 1954, between Buyer and Irving Trust Company, as Trustee, as said Chattel Mortgage may have heretofore been or may hereafter be amended, shall be declared and become due and payable, prior to the date of maturity of such Notes as set forth therein, upon the occurrence of any of the "events of default" described in said Chattel Mortgage, as amended (and the Buyer hereby agrees to notify the Seller of any declaration of default forthwith upon the receipt thereof);

then Seller may at once (or at any later time) proceed to take possession of the Airplanes and Spares in any manner provided by law, or Seller may at its option, and Seller is hereby empowered to, with or without legal process, and with or without demand, enter upon the premises where the Airplanes or Spares may be and take possession thereof and remove the same. Seller may resell the Airplanes and Spares, so retaken, at public or private sale, with or without having such Airplanes and Spares at the place of sale, and upon such terms and in such manner

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(CAB Orders & Documents)

as Seller may determine. Notice of the intention of Seller to so sell the Airplanes and Spares shall be given by Seller to Buyer at least ten (10) days prior to the time of such sale. Seller may bid and purchase at any such public sale. From the proceeds of any such sale, Seller shall deduct all expenses for retaking, repairing, storing and selling the Airplanes and Spares, including any reasonable attorneys' fees incurred. The balance of such proceeds shall be applied to the payment of all sums owing to Seller under this agreement and any surplus of such proceeds remaining shall be paid to Buyer or to whoever may be lawfully entitled to receive the same. Buyer shall be under no obligation to Seller for any deficiency resulting from any such sale or to make any payments on account of the purchase price of any Airplane or Spares falling due after Seller has taken possession of such Airplane or Spares pursuant to this provision.

6. From and after delivery of the Airplanes and Spares to Buyer and until absolute title thereto is vested in Buyer or its nominee, or Seller repossesses the Airplanes,

(a) Buyer shall procure and maintain at its expense public liability, passenger liability and property damage insurance in such amounts and with such companies as shall be satisfactory to Seller, covering Seller's liability as holder of legal title to the Airplanes and Spares. The policies evidencing such insurance shall contain such provisions as shall be satisfactory to Seller and shall name Seller as assured.

(b) Buyer shall at its expense maintain all risk aircraft hull insurance in respect of the Airplanes in favor of Buyer and Seller, as their interests may appear, in such amounts and with such companies as shall be satis-

factory to Seller. If any such Airplane shall be lost, destroyed or damaged to such an extent that repair thereof is impractical, such insurance shall be paid to the Seller to the extent of the unpaid balance of the purchase price of such Airplane together with any accrued and unpaid interest thereon, plus all other amounts then due to Seller hereunder. Upon such payment to the Seller of insurance to the extent of the unpaid balance of the purchase price of any Airplane, absolute title to the Airplane so damaged or to any parts of an Airplane so destroyed shall vest in Buyer and Seller shall deliver to Buyer such proper documents of title with respect thereto as Buyer may reasonably require. Buyer shall be under no obligation to make any payments on account of the purchase price of such Airplane falling due after such loss, destruction or damage. Any insurance proceeds in excess of the amount payable to the Seller, and any insurance proceeds payable as a result of damage not rendering repair impractical, shall be payable to Buyer or its designee.

7. Buyer may at any time pay to Seller the unpaid balance of the purchase price of the Airplanes and Spares or any part thereof, without premium or penalty.

8. Upon the payment to Seller of the balance of the purchase price of the Airplanes and Spares together with all other amounts owing to Seller hereunder, Seller shall deliver to Buyer at such place in the United States as Buyer may designate.

(a) a bill of sale duly vesting in Buyer the title to the Airplanes and Spares free and clear of all liens, claims, charges and encumbrances attaching subsequent to the delivery of the Airplanes and Spares to Seller and not arising

out of the possession, use or operation of the Airplanes and Spares by Buyer, and

(b) such other appropriate documents of title with respect thereto as Buyer may reasonably require.

9. In the event any sales tax or use tax is hereafter imposed upon or paid by Seller by reason of the sale or use of the Airplanes and Spares or the purchase thereof by Seller, then in addition to the sales price provided for in paragraph 3, Buyer shall pay to Seller the amount thereof, upon demand.

10. Buyer shall furnish Seller forthwith and from time to time thereafter at reasonable intervals, all such information concerning Buyer's financial condition, including balance sheets and forecasts of earnings, as is customarily furnished to a commercial bank holding or considering the acceptance of unsecured notes of a borrower.

11. The Buyer agrees that it will pay and discharge all taxes, assessments, governmental charges and all charges for keep, repairs, storage, maintenance or accessories, which if unpaid might become a lien, charge or encumbrance upon or against any of the Airplanes or Spares; and upon the failure of the Buyer so to do the Seller may make any such payment; provided, however, that nothing herein contained shall require the Buyer to pay such tax, assessment or charge so long as the Buyer shall in good faith contest the validity thereof and shall furnish the Seller such bond or indemnity as the Seller shall require, unless, in the judgment of the Seller, forfeiture is likely to result from any such failure to pay. Any sum or sums so paid by the Seller, together with interest thereon at the highest lawful contract rate, shall be and become a part of the sum which

the Buyer is required to pay under this Contract, and shall immediately, without demand, be due and be repaid by the Buyer to the Seller.

The Buyer will, upon written request from the Seller,

(a) reimburse the Seller for all filing or recording fees incurred in connection with filing or recording or refiling or re-recording this Contract and all supplements and additions hereto, if any;

(b) execute and deliver to the Seller all such further documents and instruments and do such further acts as may be necessary to perfect the rights of the Seller herein contemplated; and

(c) furnish to the Seller at reasonable intervals reports and certificates setting forth all the information necessary to inform the Seller as to the continued existence, location and condition of the Airplanes and Spares. The Seller shall also have the right to inspect the Airplanes and Spares at all times when the same are not in use and when such inspection can be had without undue inconvenience or expense to the Buyer.

12. Buyer agrees to maintain the Airplanes and Spares in good repair and working condition at its own expense, except any airplane lost, destroyed or so damaged that insurance with respect thereto is payable to the Seller pursuant to paragraph 6 hereof. Subject to the proper performance of such covenant, the Buyer may make repairs and replacements to the Airplanes and Spares and may substitute for engines, propellers and any other equipment installed in or attached to the Airplanes or Spares, engines, propellers or other equipment of substantially the same

kind and value; provided, however, that no removal of any such engines, propellers, or equipment, and no replacement thereof, shall divest Seller of its superior title thereto, or render any such removed or replaced equipment subject to the lien or claim of any person other than Seller, UNLESS and UNTIL such equipment is replaced by equipment of substantially the same kind and value, the title to which, upon such equipment being installed in or attached to the Airplanes or Spares, may validly vest in Seller free and clear of the lien or claim of any other person, subject to the provisions of paragraph 14 hereof. In the case of any such permitted substitution, title to the substituted equipment shall immediately vest in Seller and become subject to the provisions of this Conditional Sale Contract and remain so vested and so subject unless and until substituted for in the manner hereinabove permitted; and title to the equipment substituted for shall vest in Buyer.

13. Until title to the Airplanes and Spares shall have passed to the Buyer hereunder, the Buyer shall have no right, power or authority to sell, transfer, assign, mortgage or encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof (except as provided in paragraph 12 hereof) or any interest therein, and the Buyer hereby agrees that, except as permitted by paragraph 12 hereof, the Buyer will not (voluntarily or involuntarily) sell, transfer, mortgage, encumber or in any other manner whatsoever dispose of the Airplanes and Spares or any part thereof or any interest therein. Buyer agrees, except as provided herein, that the Airplanes and Spares will be used exclusively for its commercial air transport operations and related activities and that it

will not permit the Airplanes and Spares to be used or possessed by others. Buyer may permit the use of the Airplanes and Spares by other airlines with which Buyer enters into interchange agreements provided that any such use by other airlines shall for the purposes of this agreement be considered to be use by the Buyer.

14. To the extent, if any, that there is a conflict between any of the provisions of this agreement and any of the provisions of the Indenture of Mortgage dated as of December 1, 1954 between the Buyer and Irving Trust Company, as Trustee, or of the Chattel Mortgage dated as of December 20, 1954 between the Buyer and Irving Trust Company, as Trustee, the provisions of said Indenture and said chattel Mortgage shall prevail and the provisions of this agreement shall be deemed amended to the extent necessary to avoid such conflict. Seller recognizes the liens created by (a) Granting Clause VI of said Indenture and (b) Granting Clause III of said Chattel Mortgage as prior liens on the aircraft engines and on the propellers, appliances and spare parts relating to the Airplanes or Spares when and so long as they shall be installed in, attached to or incorporated in any of the aircraft or aircraft engines at any time subject to the lien of said Indenture or of said Chattel Mortgage, as the case may be.

Seller agrees that so long as all the Bonds issued under said Indenture at the time outstanding shall be held by the original purchaser thereof, (a) Seller will not repossess the Airplanes or Spares, in the event of a default by Buyer under this agreement, without affording such original purchaser reasonable notice of such default and a reasonable opportunity to remedy the same and (b) such

original purchaser shall have the right, at its option, to purchase at any time all the interest of Seller hereunder by paying to Seller the then remaining balance of the purchase price hereunder plus accrued interest.

Seller also agrees that in the event of a default by Buyer hereunder, the rights and remedies of Seller shall be limited to repossession of the Airplanes and Spares.

15. Before delivery of each Airplane to Buyer hereunder, Buyer will cause to be fastened thereon in a location reasonably adjacent to, and not less prominent than that of, the airworthiness certificate for such Airplane, a name plate no larger than four inches by seven inches (4" x 7") bearing the following legends:

"Hughes Tool Company holds legal title
to this Airplane as Conditional Seller."

Buyer shall maintain such name plate in such location or in one of at least equal prominence and visibility at all times. Buyer may affix to the Airplanes Buyer's name, insignia or other legends customarily displayed by Buyer on its airplanes.

16. Buyer shall indemnify and hold harmless Seller, its agents and its employees from any and all liability for losses, expenses, damages, demands and claims in connection with or arising out of any death of, or injury or alleged injury or damage to, persons or property sustained, or alleged to have been sustained, in connection with or arising or alleged to have arisen out of Buyer's possession, use or operation of the Airplanes or Spares and Buyer agrees to handle any claim and defend any suit or action brought against Seller, its agents or its employees, or any of them, based on any such death, injury or damage, or alleged injury or damage, and to pay all damages, costs and expenses,

including attorneys' fees, in connection therewith or resulting therefrom.

Buyer's liability to Seller under this paragraph 16 is conditioned upon Seller's promptly giving notice to Buyer of institution of such suit or action or of receipt of such claim or demand. Buyer shall have the option at any time to conduct negotiations with the party or parties making any such claim or demand, and may intervene in any such suit or action. Whether or not Buyer intervenes in any such suit or action, it shall be entitled to assume, conduct or control the defense thereof, and Seller shall not settle or discharge any such claim, demand, suit, action or judgment without prior notice to and the consent of Buyer.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this agreement as of the day and year first above written.

HUGHES TOOL COMPANY

Attests:

By

Vice President

Assistant Secretary

TRANS WORLD AIRLINES, INC.

Attests:

By

Vice President - Finance

Assistant Secretary

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(CAB Orders & Documents)

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of :

Docket No. 1182

TRANS WORLD AIRLINES, INC. :

----- X
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (hereinafter referred to as "TWA") respectfully moves that the Board enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (hereinafter referred to as "Hughes"), so that the terms of such order will not restrict the right of TWA to purchase from Hughes Tool Company up to 25 jet powered aircraft suitable for operation by TWA on both its domestic and international routes.

1. Thorough studies have been made by TWA of the characteristics of all jet aircraft available in this country and abroad. None of these aircraft has the range desirable for all-year around operations across the Atlantic so as to permit non-stop services in both directions under the extreme conditions frequently encountered on that route.

2. During the past few years important new

developments have occurred affecting jet aircraft which make it possible to design aircraft at this time that are superior in performance, safety and economy to the commercial aircraft now being constructed, the designs for which were initially laid down four or five years ago.

3. Hughes Tool Company has indicated to TWA that, subject to approval of the Board, it is willing to construct jet transport aircraft for TWA's use, taking into account the most recent design developments, on terms that are at least as favorable in every respect as those that can be secured from any manufacturer for a similar aircraft. Deliveries of such aircraft will commence in 1961. The aircraft will be used interchangeably on TWA's international and domestic routes.

4. Hughes Tool Company has advised TWA that it is willing to sell such aircraft to any other airline at the same price as sold to TWA.

5. Hughes Tool Company has also advised TWA that the aircraft would be constructed by the Aircraft Division of Hughes Tool Company in a new factory to be located in accordance with the recently announced policy of the Air Force to insure the widest possible dispersal of aircraft production facilities.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying the Board's Order Serial No. 3210, as amended, so that the terms of such order will not restrict the right of TWA to acquire from Hughes Tool Company the aircraft as referred to above, and providing such other and further relief as may be appropriate.

Respectfully submitted,

TRANS WORLD AIRLINES, INC.

Warren Lee Pierson
By Warren Lee Pierson
Chairman of the Board

May 10, 1956

Order No. 2-10300

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 17th day of May, 1956-----
In the matter of the application of :

HUGHES TOOL COMPANY :

for approval under section 403 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition and
control of :

Docket No. 1182

TRANS WORLD AIRLINES, INC. :

ORDER MODIFYING ORDER APPROVING ACQUISITION

By motion filed May 2, 1956, Trans World Airlines, Inc. (TWA) requests an order modifying Order No. 3210, Docket No. 1182, issued October 17, 1954, as amended by subsequent orders, so that the terms of such order will not restrict the right of TWA to exercise certain options dated April 20, 1956 for the purchase of eight Lockheed 10490 and twenty-five Lockheed 1049A aircraft, and spare engines and parts from the Hughes Tool Company pursuant to conditional sale contracts.

We have considered all of the circumstances surrounding the proposal and find it in the public interest to relax the restrictions in the aforementioned Order No. 3210. The Board has recently awarded TWA several new route segments and it appears that additional aircraft are required to implement such services. Furthermore, it appears that the new equipment is being made available to TWA at cost with the advantage of earlier delivery than would be possible if purchases of like equipment had to be made in the open market. In any event, it should be made clear that in determining that the proposed transaction is in the public interest we are not making any finding as to the reasonableness of the cost of the aircraft and related components for rate making purposes.

The Board, acting pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 205(a), 403, and 1005(d) thereof, and finding that the further modification of Order No. 3210 as herein-after provided is just and reasonable and is in the public interest;

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IT IS ORDERED, THAT Order No. 3210 issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended by adding thereto the following:

"8. That the terms of this order shall not restrict the right of Trans World Airlines, Inc. to purchase, and Hughes Tool Company to sell, eight Lockheed 10490 and twenty-five Lockheed 1649A aircraft and related spare parts and engines pursuant to the terms and conditions of certain options dated April 20, 1956 and conditional sales contracts between said parties; Provided, That nothing in the Board's action herein shall be construed as constituting an approval for marketing purposes."

By the Civil Aeronautics Board:

/s/ H. C. Mulligan

H. C. Mulligan
Secretary

(SEAL)

Order No. 6-10360

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 8th day of June, 1956

In the matter of an investigation
of proposed transactions between

HUGHES TOOL COMPANY
and
TRANS WORLD AIRLINES, INC.

Docket No. 8061, et al. 1182

ORDER INSTITUTING INVESTIGATION

In Trans World Airlines, Control by Hughes Tool, Docket No. 1182, 6 CAB 153 (1954), we approved the acquisition of control of Trans World Airlines, Inc. (then known as Transcontinental and Western Air, Inc., hereinafter TWA) by Hughes Tool Company (hereinafter Toolco) under section 408 of the Act subject to the condition, *inter alia*, that approval should be effective so long as commercial transactions between the two companies were limited to items the price of which did not exceed \$200.00 each with a total aggregate annual limitation of \$10,000.00. We found (p. 156) that "Applicant (Toolco) is not now engaged in, and has no plans contemplating, production of aircraft, aircraft parts, or facilities for use in commercial air transportation." We also found that there was no evidence in the record of an intention on the part of Toolco to engage in any phase of supply for commercial aviation (p. 155). In further proceedings in 9 CAB 351 (1948) we held that a certain latter agreement between Toolco and TWA resulted in further control of TWA for which Board approval was required pursuant to section 408 of the Act. One of the questions in the case was whether any change in the activities of Toolco in the field of aeronautics since the date of the Board's approval in 6 CAB 153 had affected or altered the character of the control approved therein. We stated that (p. 352) "It is clear that a substantial change in the activities of Toolco in the field of aeronautics would result in a transaction subject to the Board's jurisdiction under section 408 by reason of the fact that the character and priority of control originally approved might be altered or changed as a result thereof." We then found that the principal activity of Toolco at that time consisted of experimental work on aircraft accessories and armament for the Army and Navy. We concluded, therefore, that there had been no substantial change in Toolco's operations in the field of aeronautics since the original order of approval which required further Board consideration, under section 408, of Toolco's control of TWA. In 12 CAB 192 (1950) we approved, on the merits, the further acquisition of control of TWA by Toolco subject to the terms and conditions attached to the Board's approval in 6 CAB 153.

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- 2 -

On May 10, 1956, TIA filed a motion in Docket No. 1182 that the Board modify its Order in 6 CAB 153 so as not to restrict the right of TIA to purchase from Toolco up to 25 jet-powered aircraft suitable for operation by TIA on both its domestic and international routes.

As noted above, the aeronautical activities of Toolco considered heretofore in 6 CAB 153 and 9 CAB 381 did not involve manufacture or sale of aircraft for commercial use. It appears, therefore, that the manufacture of jet aircraft for use of TIA and other airlines by Toolco may result in a substantial change in the activities of Toolco in the field of aeronautics which would require our further consideration, under section 403, of Toolco's control of TIA. However, Toolco has not filed an application for such approval under section 403. Accordingly, we will institute an investigation to determine whether the proposed change in Toolco's activities in the field of aeronautics will result in a transaction subject to the Board's jurisdiction under section 403 and if so, whether we should approve such transaction. We will consolidate therewith TIA's motion in Docket No. 1182 for amendment of the Board's order in 6 CAB 153 since we find that such consolidation will be conducive to the proper dispatch of the Board's business and to the ends of justice and will not unduly delay the proceeding.

ACCORDINGLY, IT IS ORDERED THAT:

1. An investigation, assigned Docket No. 2061, be and it hereby is instituted to determine (a) whether the proposal of Hughes Tool Company to manufacture and sell up to 25 jet-powered aircraft for TIA and other airlines will result in a transaction requiring further Board consideration, under section 403, of the control of TIA by Hughes Tool Company; (b) if so, whether the Board should approve or disapprove such transaction under section 403(b) of the Act;
2. TIA's motion in Docket No. 1182 for an amendment of the Board's order in 6 CAB 153, as amended, be consolidated with the investigation instituted by ordering paragraph No. 1;
3. Said consolidated proceeding be set down for expeditious hearing before an examiner of the Board at a time and place hereafter to be designated.

By the Civil Aeronautics Board:

/s/ H. C. Malligan

H. C. Malligan
Secretary

(324)

3925

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of :

Docket No. 1182

TRANS WORLD AIRLINES, INC.
:----- X

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (hereinafter referred
to as "TWA") respectfully moves that the Board enter an
order herein modifying its Order Serial No. 3210, issued
October 17, 1944, as amended, approving the acquisition
of control of TWA by Hughes Tool Company (hereinafter re-
ferred to as "Hughes"), so that the terms of such order
will not restrict the right of TWA to borrow from Hughes
up to \$10,000,000 under the terms and conditions herein-
after described.

1. The terms and conditions upon which TWA
proposes to borrow up to \$10,000,000 from Hughes and upon
which Hughes will extend credit in such amount to TWA are
as follows:

(a) All loans will be upon unsecured notes
of TWA in substantially the form attached as Ex-
hibit A.

(b) The initial amount of the credit will not
exceed \$10,000,000. On August 1, 1957, the maximum

amount of the credit shall be reduced to \$7,500,000; on November 1, 1957, to \$5,000,000; on February 1, 1958, to \$2,500,000;

(c) The credit shall terminate on April 30, 1958, or at such earlier time as the Treasurer of Hughes deems necessary because of other cash requirements or contractual limitations;

(d) Borrowings and repayments shall be in multiples of \$100,000 and upon reasonable notice to Hughes;

(e) All loans shall bear interest for each day at a rate equivalent to the then prevailing prime rate for commercial loans in New York, New York, computed on the basis of 365 days;

(f) No commitment fee shall be required;

(g) Before each borrowing Hughes shall have received a signed opinion from TWA's counsel that the promissory note, when executed and delivered, will be a valid and binding obligation of TWA according to its tenor and effect and that its issuance will not violate any obligation or restriction imposed upon TWA by any law or governmental regulation or by any contract, indenture or other document to which TWA is a party.

2. The arrangement described above will operate as a standby credit to be utilized as and when required by TWA, thus providing TWA with reserve funds in the event additional cash is needed during the period of the credit.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying the Board's Order Serial No. 3210, as amended, so that the terms of such order will not restrict the right

of TVA to borrow up to \$10,000,000 from Hughes Tool Company on the above terms and conditions, and providing such other and further relief as may be appropriate.

Respectfully submitted,

TRANS WORLD AIRLINES, INC.

By


Vice President

September 11, 1956

EXHIBIT A

New York, New York
195

FOR VALUE RECEIVED, the undersigned TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter sometimes called "TWA"), promises to pay fifteen (15) days after demand the sum of Dollars (\$) to the order of HUGHES TOOL COMPANY at the office of Irving Trust Company, One Wall Street, New York 15, New York, together with interest from date on the unpaid principal hereof at a rate for each day equivalent to the then prevailing prime rate for commercial loans in New York, New York, computed on the basis of 365 days.

Demand for payment, protest and notice of dishonor are hereby waived by the undersigned.

The indebtedness represented by this promissory note, including both principal and interest, is subordinated and subject in right of payment to the prior payment in full of all the principal of, premium, if any, and interest on the 3-3/4% Equipment Mortgage Sinking Fund Bonds due December 1, 1969 of TWA now or hereafter issued under the Indenture of Mortgage dated as of December 1, 1954, between TWA and Irving Trust Company, as Trustee, as said Indenture has heretofore been or from time to time hereafter may be amended, modified or supplemented, and any renewal, extension, refunding, amendment and modification of any such Bonds (all of such principal of, premium, if any, and interest on all of such Bonds together with any such renewal, extension, refunding, amendment and modification of any thereof being hereinafter called "Bond

Indebtedness"). Upon any distribution of all or substantially all of the assets of TWA or upon any dissolution, winding up or liquidation of TWA, whether voluntary or involuntary, or upon any reorganization, readjustment, arrangement or similar proceeding relating to TWA or any of its creditors as such property, whether in bankruptcy, insolvency, receivership proceedings or otherwise, or upon any assignment by TWA for the benefit of creditors or upon any other marshalling of the assets or liabilities of TWA,

(a) all the Bond Indebtedness shall first be paid in full in cash or provision made for such payment by deposit of the requisite cash in trust with a bank or banks (either theretofore acting as Trustee under the aforementioned Indenture, or duly appointed paying agents for the purpose) before any payment or distribution is made on account of the principal or interest on the indebtedness under this promissory note;

(b) any payment or distribution (whether in cash, property or securities) to which the holder of this promissory note would be entitled except for the provisions of this subordination clause shall be paid or delivered by the trustee, receiver, assignee for the benefit of creditors, or other liquidating agents making such payment or distribution, directly and ratably to the holders of the Bond Indebtedness (or to their representatives or to the Trustee under the aforementioned Indenture) to the extent necessary to pay off the Bond Indebtedness in full after giving effect to any concurrent payment or distribution or provision therefor as aforesaid to the holders of the Bond Indebtedness; and

(c) in the event that notwithstanding the foregoing, any payment or distribution (whether in cash, property or securities) shall be received by the holder of this promissory note before all such Bond Indebtedness is paid in full, or provision is made as aforesaid for its payment, such payment or distribution shall be ratably held in trust for the benefit of, and shall be ratably paid over or delivered to the holders of, the Bond Indebtedness or their representatives (or to the Trustee under the aforementioned Indenture), for application to or payment of all the Bond Indebtedness remaining unpaid to the extent necessary to pay the Bond Indebtedness in full after giving effect to any concurrent payment or distribution or provision therefor as aforesaid to the holders of such Bond Indebtedness.

In the event and during the continuation of any default under any instrument constituting Bond Indebtedness or pursuant to which any Bond Indebtedness shall have been issued, continuing during the period of grace, if any, specified in such instru-

ment, no payment of principal or interest shall be made on this promissory note and no holder of this promissory note shall be entitled to receive any such payment. Nothing contained in this promissory note shall affect the obligation of TWA to make, or prevent TWA from making, at any time, except during the pendency of any of the proceedings or upon the happening of any of the events referred to in the foregoing provisions of this promissory note or during the continuation of any such default, payments of principal of, or interest on, this promissory note.

The above subordination clause defines solely the relative rights as between the holder of this promissory note and the holders of the Bond Indebtedness; and nothing in such clause shall be deemed to impair the obligations under this promissory note as between the holder of this promissory note and TWA.

TRANS WORLD AIRLINES, INC.

By _____

Order No. 2-10371

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 18th day of December, 1956

In the matter of the application of :
HUGHES TOOL COMPANY :
for approval under section 108 of :
the Civil Aeronautics Act of 1938 :
as amended, of the acquisition of :
control of :
TRANS WORLD AIRLINES, INC. :

Docket No. 1182

ORDER

By motion filed with the Board on September 13, 1956 Trans World Airlines, Inc. (TWA) requests modification of the Board's order in Docket No. 1182, Order No. 3210 ¹/₂, as amended and modified, which restricts commercial transactions between TWA and Hughes Tool Company (Toolco) and between TWA and any affiliate or subsidiary of Toolco to a maximum of \$200 each with the further limitation that the total annual expenditure involved in such commercial transactions by either party shall not exceed \$10,000.

The modification is desired to permit TWA to borrow from Toolco up to \$10,000,000. Briefly, the transaction is subject to the following terms and conditions: (1) all loans will be made upon unrecruited notes of TWA; (2) the initial amount of the credit will not exceed \$10,000,000 and will be reduced by \$2,500,000 August 11, 1957, November 1, 1957 and February 1, 1958; (3) the credit shall terminate April 30, 1958, or at such earlier time as the treasurer of Toolco deems necessary because of other cash requirements or contractual limitations; (4) borrowings and repayments shall be in multiples of \$100,000 and upon reasonable notice to Toolco; (5) all loans shall bear interest for each day at a rate equivalent to the then prevailing rate for commercial loans in New York; (6) no commitment fee shall be required; and (7) before each borrowing TWA's counsel shall give Toolco a signed opinion that the promissory note when executed and delivered will be a valid and binding obligation upon TWA. The carrier states that the loan arrangement will operate as a standby credit to be utilized as and when required by TWA, thus providing it with reserve funds in the event additional cash is needed during the

- 2 -

period of credit.

The Board has previously approved the control of T&A by Toolco under section 108 of the Act, and the proposed transaction raises no new question under section 108 of control by Toolco. The Board finds that the proposed transaction does not violate the original intent of the restriction imposed upon transactions between T&A and Toolco; and further modification as ordered herein of the Board's order in Docket No. 1182, as amended and modified, is just and reasonable and is in the public interest.

IT IS ORDERED THAT:

1. Order Serial No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to the extent necessary to permit T&A to borrow from Toolco up to \$10,000,000 to be utilized as and then required by T&A as reserve funds in the event additional cash is needed during the period commencing with the date of this order and terminating April 30, 1950, or at such earlier time as the Treasurer of Toolco deems necessary because of other cash requirements or contractual limitations;
2. Such action shall not be a determination for rate-making purposes of the reasonableness of the financial provisions of the transactions;
3. The motion, except to the extent granted herein, be and it hereby is denied; and
4. This order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan

M. C. Mulligan
Secretary

(5241)

2/ 6 CAB 153 and 12 CAB 192.

3025

BEFORE THE
CIVIL AERONAUTICS BOARD:

----- x
In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of :

Docket No. 1182

TRANS WORLD AIRLINES, INC.
----- x

AMENDED MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (hereinafter called
TWA) filed with the Board on or about April 1, 1957 its
motion requesting the issuance of an order which would
permit TWA to sell convertible debentures to Hughes Tool
Company (hereinafter called Hughes) as a part of a general
offering to all stockholders of TWA, and to enter into a
commitment with Hughes insuring the purchase of at least
\$14,000,000 of such debentures pursuant to a refinancing
program described in said motion.

Since the filing of the motion, the Board of
Directors of TWA has determined that the refinancing
program could not be carried out satisfactorily by the
issuance of convertible debentures and that it would be
advisable to make an offering to its stockholders of
additional shares of common stock, in lieu of debentures,
at the rate of one new share for each share now held.

The proposal to offer common stock instead of debentures was announced at the annual meeting of stockholders held in Kansas City on April 25, 1957, at which the stockholders voted to increase the number of authorized shares of common stock from 4,000,000 to 10,000,000.

TWA accordingly files this amended motion for an order by the Board modifying its Order Serial No. 3210, issued October 17, 1944, as amended (which approved the acquisition of control of TWA by Hughes) so as to permit TWA to sell to Hughes, and Hughes to buy from TWA (1) Hughes' pro rata share of an issue of common stock of TWA to be offered to TWA's stockholders as hereinafter described, and (2) any of such stock offered to TWA stockholders and not subscribed for upon such offering and so as to permit TWA and Hughes to enter into and perform a commitment agreement relating to such offering as hereinafter described.

1. As explained in its original motion, TWA wishes to refinance its obligations under existing and contemplated conditional sale contracts with Hughes covering the 8 Lockheed 1049C and 25 Lockheed 1649A aircraft, spare parts and engines, referred to in paragraph 8 of Order Serial No. 3210, as amended by Order Serial No. E-10300, issued May 17, 1956.

Present plans contemplate that such refinancing would be accomplished in part by loans from the banks and/or insurance companies and in part by the sale of additional shares of common stock of TWA. The proceeds of the loans and stock sales will be applied toward the payment of TWA's obligations to Hughes with respect to the above-mentioned aircraft, spare parts and engines.

As a result of the sale of common stock instead of debentures, the refinancing would effect the

reduction of TWA's debt by at least \$34,000,000, with a corresponding reduction in interest payments.

2. The offering of additional shares of common stock to TWA's stockholders would be by means of transferable subscription warrants permitting the purchase of one new share for each share now held. At the present time there are 3,337,036 shares outstanding, so that this would result in an offering of 3,337,036 additional shares. The price at which such shares are to be offered depends on the market at the time the offering is made, which is expected to be in June, and will be determined at that time.

TWA and Hughes propose to enter into an agreement providing, among other things, that Hughes would have the right to acquire any shares offered to stockholders not subscribed for upon the offering, and that if Hughes took less than all such unsubscribed shares, they would be obligated to take enough shares to provide TWA with net proceeds of \$34,000,000 from the shares acquired by Hughes from TWA. A copy of the proposed form of commitment agreement is attached as Annex A.

Discussions have been initiated with insurance companies for long-term debt financing of the 1049G and 1049A aircraft, but it does not appear possible that such loans can be consummated before September or October of this year. In the meantime, TWA has completed arrangements by which it will borrow \$35,000,000 from banks secured by chattel mortgages on the 1049G and 1049A aircraft and engines. This bank loan will provide for repayment as follows: \$10,000,000 on December 1, 1957 with interest at

5% and the balance payable in 36 equal monthly instalments beginning January 1, 1958 with interest at 5-1/4%.

The commitment agreement attached as Annex A provides that if TWA does not secure an additional \$15,000,000 from common stock and debt on or before December 1, 1957, Hughes will establish a revolving credit in favor of TWA for the amount by which the additional proceeds from stock and loans fall short of \$15,000,000. This revolving credit, which terminates December 1, 1960, provides for interest at the prime commercial rate.

3. The proposed refinancing on the terms hereinabove described is of substantial advantage to TWA for the following reasons, among others:

(a) The transaction will enable TWA to reduce its indebtedness by at least \$33,000,000, and possibly more than this amount, depending on the market price of the shares at the time of the offering, the subscription price and the interest of the other stockholders in the offering.

This will improve the financial strength of TWA, decreasing the ratio of debt to equity. It would also reduce the amount of debt on which interest would be payable.

(b) As a consequence of the financing, as above described, the requirements for cash to meet interest payments and debt reduction on the new 1049G and 1649A aircraft will be reduced by approximately 40 per cent, leaving TWA in a much more flexible position for future financing of jet equipment and facilities.

4. On or about May 28, 1957 TWA will file with

the Securities and Exchange Commission a Registration Statement under the Securities Act of 1933, covering the proposed offering of additional shares of common stock to TWA stockholders. In accordance with normal SEC practice the Registration Statement will become effective at 5:30 P.M. on the 19th day after the date of filing. On the day following the date it becomes effective, TWA will mail to stockholders subscription warrants permitting the purchase of new shares, accompanied by a copy of the prospectus which is a part of the SEC Registration Statement. In order to make the offering to stockholders attractive, it is essential that the prospectus state that Hughes has agreed to purchase at least \$34,000,000 of the stock as above referred to.

For this reason, action by the Civil Aeronautics Board on the transaction between TWA and Hughes, as above described, is urgently needed on or before June 11, 1957, to meet the requirement of the New York Stock Exchange that conditions precedent to the offering be removed at least four trading days before the Registration Statement becomes effective.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying the Board's Order Serial No. 3210, as amended, so that its order will permit TWA to sell to Hughes, and Hughes to buy from TWA, (1) Hughes' pro rata share of an issue of common stock to be offered to TWA's stockholders as above described and (2) any of such stock offered to TWA's stockholders and not subscribed for upon such offering; and will also permit TWA and Hughes to enter into and perform an agreement relating to such offering substantially in the form attached hereto

as Annex A, and providing for such other and further relief
as may be appropriate.

Respectfully submitted,

TRANS WORLD AIRLINES, INC.

By

A. V. Laskis

Senior Vice President-Finance

ANNEX A

May , 1957

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, N. Y.

Dear Sirs:

Referring to the registration statement, which you have filed under the Securities Act of 1933, covering an offering of Common Stock to stockholders at the rate of one share for each share of Common Stock held, we confirm the following agreement between us which shall become effective when said registration statement shall have become effective and the Civil Aeronautics Board shall have entered an order approving in substance the transactions contemplated hereby:

1. You shall make the offering of the Common Stock described in said registration statement.
2. If you make such offering, we shall acquire from you, and you shall issue and sell to us, all or any part of the shares of Common Stock so offered to stockholders and not subscribed for upon such offering, the number of shares of Common Stock to be so acquired by us to be determined by us; provided, however, that if we purchase less than all said unsubscribed shares, we shall be obligated to purchase such number thereof as will, with the shares acquired by us on the exercise of subscription warrants, provide you with aggregate net proceeds of at least \$34,000,000 from the shares acquired by us.
3. All acquisitions of Common Stock by us pursuant to paragraph 2 above shall be at the price at which the Common Stock is offered to your stockholders, pursuant to the above mentioned registration statement, and we shall notify you, not later than three business days after the expiration of the subscription period, of the number of shares to be acquired by us in the event we desire to acquire more than the shares which we are obligated to purchase pursuant to paragraph 2. Payment to you for shares acquired by us pursuant to paragraph 2 shall be at such times and in such amounts as you may request.
4. Nothing in this agreement shall impair our rights as one of your stockholders to receive subscription warrants for Common Stock in connection with such offering to stockholders, to purchase subscription warrants on the

-2-

open market, and to purchase Common Stock upon the exercise of subscription warrants received from you or purchased from others. We will not sell any subscription warrants acquired by us.

5. You shall apply the net proceeds from the sale of Common Stock and from any loans hereafter made by you from banks or other institutional investors, to the payment or prepayment of amounts owed by you to us in connection with the purchase of the eight Lockheed Constellation 10490 aircraft and the twenty-five Lockheed 16491 aircraft and related spare parts and engines.

6. In the event that, as a result of our purchase of Common Stock, we become the owner of 80% or more of your outstanding Common Stock, you will permit us to file consolidated income tax returns for you and ourselves, upon the condition that we agree to indemnify you, in a manner satisfactory to you and your counsel, against all loss or liability arising out of your having paid greater taxes on income in the aggregate than you would have been required to pay if your income tax returns had not been consolidated with ours and to secure our indemnity by bond or otherwise, in a manner satisfactory to you.

7. If on or before December 1, 1957 you have not received an aggregate of \$15,000,000 or more in net proceeds from the sale of (a) Common Stock in excess of \$34,000,000 and (b) bonds, notes or other indebtedness in addition to the contemplated bank loans of \$35,000,000 referred to in your registration statement above mentioned, then, in such event, we will enter into a revolving credit agreement in the form attached hereto as APPENDIX I for the amount by which such net proceeds aggregate less than \$15,000,000. You shall apply the proceeds of any loans from us under such revolving credit, up to a maximum of \$10,000,000, to the payment of the \$10,000,000 of such contemplated bank loans maturing December 1, 1957.

If the foregoing correctly states the agreement between us, kindly so confirm by signing in the place indicated and returning the copy of this letter enclosed for the purpose, whereupon this letter and said copy will constitute the agreement between us, to become effective as

-3-

above provided.

Very truly yours,

HUGHES TOOL COMPANY

By _____

Confirmed, May . . , 1957

TRANS WORLD AIRLINES, INC.

By _____

APPENDIX I

REVOLVING CREDIT AGREEMENT

THIS AGREEMENT, dated as of December 1, 1957, between TRANS WORLD AIRLINES, INC., a Delaware corporation (herein called TWA) and HUGHES TOOL COMPANY, a Delaware corporation (herein called Hughes).

WITNESSETH:

WHEREAS, Hughes is willing to establish a revolving credit on the terms hereinafter set forth,

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

1. Hughes hereby establishes a revolving credit in favor of TWA in the amount of \$, for the period from December 1, 1957 to December 1, 1960, when the credit shall expire and terminate.

2. Whenever TWA desires to obtain a loan hereunder, TWA shall give Hughes written notice at least five business days prior to the expected borrowing, and to deliver to Hughes on or before the borrowing date, a note, in substantially the form of EXHIBIT A attached hereto, bearing the date on which such loan is to be made, payable to Hughes in the amount of the borrowing and executed by a duly authorized officer of TWA.

3. TWA may at any time prepay any loan or portion thereof with accrued interest to the date of prepayment, provided that any partial prepayment of principal shall be in the amount of \$100,000 or any multiple thereof.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto as of the day and year first above

DX321 1d., Item 8b, page 11
(CAB Orders & Documents)

written.

TRANS WORLD AIRLINES, INC.

By _____
Vice President

[Corporate Seal]

Attests

Secretary

HUGHES TOOL COMPANY

By _____
Vice President

[Corporate Seal]

Attests

Secretary

EXHIBIT A

New York, New York
, 195_

FOR VALUE RECEIVED, the undersigned TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter sometimes called "TWA"), promises to pay on December 1, 1960 the sum of _____ Dollars (\$ _____) to the order of HUGHES TOOL COMPANY at the office of Irving Trust Company, One Wall Street, New York 15, New York, together with interest from date on the unpaid principal hereof at a rate for each day equivalent to the then prevailing prime rate for commercial loans in New York, New York, computed on the basis of 365 days.

Demand for payment, protest and notice of dishonor are hereby waived by the undersigned.

The indebtedness represented by this promissory note, including both principal and interest, is subordinated and subject in right of payment to the prior payment in full of (a) all the principal of, premium, if any, and interest on the 3-3/4% Equipment Mortgage Sinking Fund Bonds due December 1, 1969 of TWA (hereinafter sometimes called the "Bonds") now or hereafter issued under the Indenture of Mortgage dated as of December 1, 1954, between TWA and Irving Trust Company, as Trustee, as said Indenture has heretofore been or from time to time hereafter may be amended, modified or supplemented, (b) all the principal of, premium, if any, and interest on indebtedness of TWA not in excess of \$50,000,000 (hereinafter sometimes called the "Indebtedness") now or hereafter issued under an Indenture of Mortgage, dated as of _____, 1957, between TWA and _____ as Trustee, providing a lien upon 8 Lockheed Constellation 10490 aircraft, up to 25 Lockheed 1649A aircraft, and related engines, as said Indenture may hereafter be amended, modified or supplemented, and (c) any renewal, extension, refunding, amendment and modification of any Bonds or Indebtedness (all of such principal of, premium, if any, and interest on all Bonds and Indebtedness together with any such renewal, extension, refunding, amendment and modification of any thereof being hereinafter called "Senior Indebtedness"); provided, however, that neither this note nor any note of TWA of similar tenor shall be deemed to be a refunding of any Senior Indebtedness. Upon any distribution of all or substantially all of the assets of TWA or upon any dissolution, winding up or liquidation of TWA, whether voluntary or involuntary, or upon any reorganization, readjustment, arrangement

or similar proceeding relating to TWA or any of its creditors as such or property, whether in bankruptcy, insolvency, receivership proceedings or otherwise, or upon any assignment by TWA for the benefit of creditors or upon any other marshalling of the assets or liabilities of TWA,

(a) all the Senior Indebtedness shall first be paid in full in cash or provision made for such payment by deposit of the requisite cash in trust with a bank or banks (either theretofore acting as the respective Trustees under the respective Indentures above mentioned, or duly appointed paying agents for the purpose) before any payment or distribution is made on account of the principal or interest on the indebtedness under this promissory note;

(b) any payment or distribution (whether in cash, property or securities) to which the holder of this promissory note would be entitled except for the provisions of this subordination clause shall be paid or delivered by the trustee, receiver, assignee for the benefit of creditors, or other liquidating agents making such payment or distribution, directly and ratably to the holders of the Senior Indebtedness (or to their representatives or to the respective Trustees under the respective Indentures above mentioned,) to the extent necessary to pay off the Senior Indebtedness in full after giving effect to any concurrent payment or distribution or provision therefor as aforesaid to the holders of the Senior Indebtedness; and

(c) in the event that notwithstanding the foregoing, any payment or distribution (whether in cash, property or securities) shall be received by the holder of this promissory note before all such Senior Indebtedness is paid in full, or provision is made as aforesaid for its payment, such payment or distribution shall be ratably held in trust for the benefit of, and shall be ratably paid over or delivered to the holders of, the Senior Indebtedness or their representatives (or to the respective Trustees under the respective Indentures above mentioned,) for application to or payment of all the Senior Indebtedness remaining unpaid to the extent necessary to pay the Senior Indebtedness in full after giving effect to any concurrent payment or distribution or provision therefor as aforesaid to the holders of such Senior Indebtedness.

In the event and during the continuation of any default under any instrument constituting Senior Indebtedness or pursuant to which any Senior Indebtedness shall have been issued, continuing during the period of grace, if any, specified in

such instrument, no payment of principal or interest shall be made on this promissory note and no holder of this promissory note shall be entitled to receive any such payment. Nothing contained in this promissory note shall affect the obligation of TWA to make, or prevent TWA from making, at any time, except during the pendency of any of the proceedings or upon the happening of any of the events referred to in the foregoing provisions of this promissory note or during the continuation of any such default, payments of principal of, or interest on, this promissory note.

The above subordination clause defines solely the relative rights as between the holder of this promissory note and the holders of the Senior Indebtedness; and nothing in such clause shall be deemed to impair the obligations under this promissory note as between the holder of this promissory note and TWA.

TRANS WORLD AIRLINES, INC.....

By _____

Order No. E-11432

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 11th day of June, 1957

In the matter of the application of

HUGHES TOOL COMPANY

for approval under section 604 of the
Civil Aeronautics Act of 1950, as
amended, of the acquisition of control
of

TRANS WORLD AIRLINES, INC.

Docket No. 1182

ORDER

By motion amended May 28, 1957, Trans World Airlines, Inc. (TWA) requests modification of Order No. 3210, 1/ as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Company (Toolco) and between TWA and any affiliate or subsidiary of Toolco to a maximum of \$200 each, with the further limitation that the total annual expenditure involved in such commercial transactions by either party shall not exceed \$10,000.

The further modification is desired to permit TWA to refinance its obligations under existing and contemplated conditional sales contracts with respect to the acquisition 2/ of 8 Lockheed 10493's and 25 Lockheed 140A's and related spare parts and engines. Briefly, the refinancing program would be accomplished in four segments: (1) the issuance by TWA to stockholders and pro rata acquisition by Toolco of new common stock which would net TWA at least \$34,000,000; (2) equipment loans from banks and/or insurance companies in the amount of at least \$35,000,000; (3) a revolving credit arrangement established by Toolco in favor of TWA up to an amount of \$15,000,000, and (4) the balance, if any, from TWA's general funds.

The carrier alleges that the proposed financial program will (1) enable it to reduce its indebtedness by at least \$34,000,000 with a corresponding reduction in interest payments; (2) improve its financial structure by decreasing the ratio of debt to equity; (3) ease TWA's monthly debt burden by

1/ 6 CAB 153 (Docket No. 1182).

2/ Previously approved by Order No. E-70300, dated May 17, 1956.

- 2 -

extending equipment payments over a longer period; and (h) leave TWA in a much more flexible financial position for future financing of jet equipment and facilities.

The Board has previously approved the control of TWA by Toolco² under section 603 of the Act and the proposed refinancing program, including the possible increased percentage of stock held by Toolco in TWA, raises no new questions under section 603 in respect thereto. The Board finds that the proposed transaction does not violate the original intent of the restriction imposed upon transactions between TWA and Toolco; and further modification as ordered herein of Order No. 3210 as amended and modified, is just and reasonable and is in the public interest.

IT IS ORDERED THAT:

1. Any additional acquisition of control of TWA by Toolco as may result from the agreement presented herein, be and is hereby approved, provided that such additional control, if any, shall be exercised in accordance with the terms and conditions of the Board's order in 6 CAB 153, as amended, approving the original acquisition of control of TWA by Toolco.

2. Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended so as to permit TWA to sell to Toolco and the latter to buy its pro rata share of an issue of common stock to be offered to TWA's stockholders, as well as related transactions as set forth in the motion as amended;

3. Such action shall not be a determination for rate-making purposes of the reasonableness of the financial provisions of the transactions;

4. The motion, as amended, except to the extent granted herein be and it hereby is denied; and

5. The order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ H. C. Mulligan

H. C. Mulligan
Secretary

(5241)

✓ 6 CAB 153 and 12 CAB 192.

3929

BEFORE THE
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

----- X
In the Matter of the Application of
HUGHES TOOL COMPANY

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of

: Docket No. 1182
:

TRANS WORLD AIRLINES, INC.
----- X

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred
to as "TWA") respectfully requests the Board to enter
an order herein modifying its Order Serial No. 3210,
issued October 17, 1944, as amended, approving the
acquisition and control of TWA by Hughes Tool Company
(herein referred to as "Hughes") so that the terms of
said order will not restrict the right of TWA to enter
into the transactions with Hughes more fully described
below.

These transactions arise out of commitments
made by Hughes to third parties in order to assist TWA
in connection with the procurement of aircraft, the
purchase of spare parts and the raising of funds.

1. In order to provide TWA with the aircraft
needed by it to operate transatlantic economy schedules
and to meet the demand for charter and cargo services
as well as for high density flights on domestic routes,

Hughes has made arrangements by which TWA can lease and purchase a total of nine Lockheed 1049H aircraft on terms favorable to TWA.

Hughes has leased from third parties for the purpose of making them available to TWA, the following five aircraft:

(a) By an agreement dated July 26, 1957 Hughes leased two Lockheed 1049H Constellation aircraft and related spare parts from Resort Airlines, Inc., (herein referred to as "Resort") for a term ending April 30, 1958, a transaction approved by the Board on August 15, 1957 in Order E-11698. TWA has used these airplanes and spares but has paid no rent for them.

(These aircraft and spares leased from Resort have recently been sold to California-Eastern Aviation, Inc. and are the subject of the contract described in subparagraph (b) below).

(b) By an agreement between Hughes and California-Eastern Aviation, Inc. (herein referred to as "Cal-Eastern"), dated April 2, 1958, filed with the Civil Aeronautics Board in Docket No. 9407, Hughes has agreed to lease from Cal-Eastern two Lockheed 1049H Constellation aircraft and related spare parts beginning May 1, 1958, if approval of the Civil Aeronautics Board has been obtained by that date. The lease is for thirty-six months subject to termination by Cal-Eastern at any time on or after February 1, 1959 on 90 days' notice.

(c) By an agreement between Hughes and Cal-

DX321 id., Item 9a, page 3
(CAB Orders & Documents)

Eastern dated December 18, 1957, Hughes has also leased from Cal-Eastern three additional Lockheed 1049H Constellation aircraft and related spare parts for thirty-six months. This lease was approved by the Civil Aeronautics Board on January 15, 1958, Order No. E-12111.

The three aircraft and parts were delivered by Cal-Eastern directly to TWA following the commencement of the term of the lease and have been in TWA's sole possession and control since then, but it has paid no rent for them.

2. Hughes proposes to sublet the five aircraft and parts referred to in paragraph 1 hereof to TWA at the same rental price as provided in Hughes' agreements with Resort and Cal-Eastern, subject to the following conditions:

(a) TWA agrees to sublease these five aircraft during at least a portion of each calendar year 1958, 1959 and 1960. TWA also agrees to lease the aircraft during 1961 until the expiration of the leases from Cal-Eastern to Hughes. TWA may terminate the sublease in respect of the year 1958, 1959 or 1960 by giving written notice to Hughes, in which event the termination shall become effective after the expiration of a period following such notice during which the net rental obligations of TWA with respect to such aircraft shall aggregate \$1,000,000 in such calendar year (the maximum rental obligations allowable under TWA's existing indentures).

(b) If TWA exercises its right to terminate the sublease in any calendar year, Hughes shall have the right to terminate the sublease as to all future calendar years by giving TWA written notice to that effect 90 days prior to the beginning of the next

700.118 ✓

calendar year. A copy of the form of sublease is attached as Exhibit A.

3. TWA has contracted to purchase from Lockheed four 1049H aircraft which were originally ordered by Hughes from Lockheed. Hughes cancelled its agreement with Lockheed simultaneously with the execution of the purchase agreement between TWA and Lockheed. In connection therewith, TWA and Hughes agreed, subject to the approval of the Civil Aeronautics Board, that if by June 1, 1958 the sublease of the five 1049H aircraft has not been consummated, Hughes would at TWA's request acquire the four 1049H aircraft or TWA would at Hughes' request sell such aircraft to Hughes. On any such transfer of the aircraft, TWA would receive from Hughes an amount equal to TWA's book value at that time and Hughes would assume any remaining liabilities of TWA to Lockheed in respect thereof.

A copy of the above agreement is attached as Exhibit B.

4. In December 1957 Hughes bought \$1,155,143 of the spare parts originally ordered by Linee Aeree Italiane in connection with the four Lockheed 1649A aircraft LAI had contracted to purchase from the manufacturer. TWA agreed to buy the remainder of the spare parts, and on December 31, 1957 entered into a contract for the purchase of the four aircraft from Lockheed. TWA now proposes to purchase the \$1,155,143 of spare parts for these aircraft from Hughes at Hughes' cost.

5. Hughes has guaranteed obligations of TWA to third parties in the following instances:

DX321 1d., Item 9a, page 5
(CAB Orders & Documents)

(a) Pursuant to loan agreement dated December 27, 1957 TWA has borrowed \$12,000,000 from Irving Trust Company and Bank of America repayable in 90 days with a 90-day extension period. Hughes guaranteed the loan without any consideration from TWA.

(b) As mentioned in paragraph 4, TWA has contracted to buy from Lockheed the four 1649A aircraft originally ordered by Linee Aeree Italiane. These aircraft are to be sold under conditional sales agreements which provide that when payments required thereunder cannot be made because of the cash requirements of TWA's indentures, such payments shall be deferred to the end of the contract. Hughes has agreed with Lockheed that if TWA is required to defer any payment, Hughes will itself make the payment at the time it becomes due, and will be reimbursed by Lockheed only when the final deferred payments are collected by Lockheed from TWA. Thus, in a sense, Hughes may receive payments from TWA if TWA finds it necessary to defer any of the instalments under its conditional sales agreements with Lockheed.

(In the event of a default by TWA under the conditional sales contract, Hughes has agreed with Lockheed to buy the airplanes from Lockheed at an amount equal to the unpaid purchase price, but neither Lockheed nor Hughes has any recourse against TWA).

(c) As set forth in paragraph 3 TWA has also contracted to buy from Lockheed four 1049H aircraft. The contractual arrangements are in substance the same as those outlined in (b) above.

6. TWA respectfully requests the Board to modify its Order Serial No. 3210 so as to allow TWA

(a) to pay Hughes for the rent incurred by Hughes (plus payments or minus credits made or received by Hughes on account of differences in airframe or engine overhaul hours) to Resort and Cal-Eastern for the Lockheed 1049H aircraft referred to in paragraph 1, in accordance with the terms of the sublease set forth in Exhibit A; and to enter into a sublease of the five Lockheed 1049H aircraft and related parts in substantially the form set forth in Exhibit A;

(b) to sell to Hughes the four Lockheed 1049H aircraft under the conditions outlined in paragraph 3; and

(c) to buy at Hughes' cost, new spare parts for Lockheed 1649A aircraft in an aggregate amount not to exceed \$1,155,143, referred to in paragraph 4.

The commitments made by Hughes to third parties on TWA's behalf, referred to in paragraph 5, would make Hughes a creditor of TWA if TWA defaults on its bank loans or would make Hughes the indirect recipient of equipment purchase payments made by TWA if TWA is required to defer instalments on its conditional sales contracts with Lockheed. In either of these events TWA would pay Hughes directly or indirectly the amount due on obligations contracted by TWA with a third party. While TWA believes that payments of this nature are not restricted by the CAB order approving Hughes' control of TWA, TWA nevertheless respectfully prays that the

Ill

Board either (i) clarify the order by excluding from its terms any payments by TWA to Hughes of obligations incurred by TWA to third parties which have been assumed by Hughes as guarantor, or (ii) approve, to the extent such approval is required, payment by TWA to Hughes of the \$12,000,000 TWA borrowed from banks under its loan agreement of December 27, 1957, in the event Hughes should be required to pay such loans as guarantor and payment by TWA of instalments on its conditional sales contracts with Lockheed which would indirectly go to Hughes, in the event Hughes has been required to take up instalments deferred by TWA.

7. The aircraft and spare parts involved in the transactions described above are all needed in the performance of TWA's certificated services, and the terms and conditions on which TWA is receiving them from Hughes involve the payment of no consideration to Hughes other than the rent incurred by Hughes in the case of the leased airplanes and reimbursement of Hughes' actual cost of the 1649A spares. The guarantees by Hughes of the TWA bank loan and of TWA's instalment obligations under conditional sales contracts, were of substantial advantage to TWA, were purely for TWA's convenience and entailed no cost whatever to TWA.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into the transactions with Hughes Tool Company described above to the extent such modification may be deemed necessary.

Respectfully submitted

Warren Lee Faison
Warren Lee Faison
Chairman of the Board

April 16, 1958

4149

Exhibit A

AIRPLANE SUBLEASE AGREEMENT

1. Hughes Tool Company (hereinafter called "Hughes") hereby agrees to sublet and grant to Trans World Airlines, Inc. (hereinafter called "TWA") and TWA agrees to hire and take, during the term of this agreement, those certain five (5) Lockheed L-1049H Constellation airplanes bearing CAA numbers N 101R, N 102R, N 6931C, N 6932C and N 6933C (Manufacturer's Serial Nos. 4818, 4824, 4813, 4823 and 4826, respectively) and related spare parts, leased to Hughes by California Eastern Aviation, Inc. (hereinafter called "Cal-Eastern") except that the two airplanes bearing the numbers N 101R and N 102R were leased to Hughes by Resort Airlines, Inc. (hereinafter called "Resort") for a term ending April 30, 1958 and thereafter by Cal-Eastern.

2. Hughes shall remain obligated to Resort and Cal-Eastern for rental payments and other obligations under the leases from Resort and Cal-Eastern to Hughes. TWA will be responsible to Hughes for performance of the obligations of Hughes under the leases of the airplanes and spare parts from Resort and Cal-Eastern to Hughes except for the rental payments, and except for the payments measured by the differences in hours since last overhaul on the engines and airframes.

3. TWA shall pay Hughes for the rent incurred by Hughes to Resort and Cal-Eastern for the airplanes and spare parts referred to in paragraph 1

hereof, except for any period during which the airplanes and spare parts were not available to TWA. The amounts so to be paid by TWA shall be payable monthly in advance on the first day of each month, except that rental for periods prior to the date of approval of the Civil Aeronautics Board, as provided in paragraph 5 below, shall be due and payable on the first of the month next succeeding such approval. The rent for any fraction of a month for which TWA is obligated to make payments herein shall be pro-rated according to the number of calendar days in such month.

4. TWA shall also reimburse Hughes for payments made by Hughes on account of differences in airframe and engine overhaul hours for the periods of TWA's use of the airplanes. In the event that the differences in airframe or engine overhaul hours results in a credit to Hughes for the periods of TWA's use of the airplanes, then Hughes shall pay to TWA an amount equal to that credit.

5. This agreement is subject to approval by the Civil Aeronautics Board. The sublease of airplanes shall become effective upon entry of an order of the Board permitting TWA to perform this agreement and it shall remain in effect as to the respective airplanes for the period of the present leases from Cal-Eastern to Hughes or until terminated as to all or a part of the remaining term of said leases in accordance with the following provisions:

(a) Upon termination of Hughes' lease of any of the airplanes, TWA's sublease shall terminate as to those airplanes and continue as to the remainder. Hughes shall notify TWA of receipt of any notice of termination under Hughes' lease of the airplanes.

(b) TWA may terminate the sublease in respect of the calendar year 1958 by giving written notice to Hughes, in which event the termination shall become effective as to the remainder of the calendar year 1958 only, but not as to calendar years 1959, 1960 or 1961, upon the expiration of a period following the giving of such notice during which the net rental obligations of TWA with respect to such aircraft shall aggregate \$1,000,000 in 1958. TWA shall have the same right of termination in respect of each of the years 1959 and 1960.

(c) If TWA exercises its right to terminate the sublease as to any calendar year pursuant to subparagraph (b), Hughes shall have the right to terminate the sublease in respect of all future calendar years by giving TWA written notice to that effect 90 days prior to the beginning of the next calendar year.

HUGHES TOOL COMPANY

By _____
Vice President

AGREED:

TRANS WORLD AIRLINES, INC.

By _____
Vice President

Exhibit B

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, N.Y.

Dear Sirs:

This is to evidence our understanding concerning the four Lockheed 1049H aircraft which Hughes Tool Company had contracted to purchase from Lockheed Aircraft Corporation and which we have today released so the aircraft would be available for acquisition directly by TWA.

These four aircraft, together with five aircraft of the same type leased by Hughes Tool Company from California Eastern Aviation, Inc., and proposed to be sublet by TWA, represent all the aircraft of this type being acquired by TWA. The sublease of the five aircraft is subject to the approval of the Civil Aeronautics Board and in the event such sublease is not approved, the use by TWA of only four airplanes of the 1049H type may not be desirable. Accordingly, it is agreed that in the event such sublease of the five aircraft is not consummated on or before June 1, 1958, then (1) Hughes Tool Company, at TWA's request, will acquire the four 1049H aircraft purchased by TWA from Lockheed or (2) TWA, at Hughes Tool Company's request, will sell such aircraft to Hughes Tool Company. Any such request must be made in writing and delivered to the other party on or before June 10, 1958. On transfer of the aircraft, TWA would receive from Hughes Tool Company an amount equal to TWA's book value at that time, and Hughes will assume any remaining liabilities of TWA to Lockheed in respect thereof.

This agreement is subject to the approval of the Civil Aeronautics Board.

- 2 -

Your signature at the place indicated below
shall constitute an acceptance of the terms above set
forth.

Yours truly,
HUGHES TOOL COMPANY

By _____

ACCEPTED:

TRANS WORLD AIRLINES, INC.

By _____

AX-2187

DX321 1d., Item 9b
(CAB Orders & Documents)

TRANS WORLD AIRLINES, Inc.

804 CONNECTICUT AVENUE,
WASHINGTON 6, D. C., U.S.A.

May 27, 1958

File 1182

DX321
9b

Civil Aeronautics Board
Washington 25, D. C.

Re: Dockets 1182 and 8061

Gentlemen:

On May 10, 1956, Trans World Airlines, Inc. filed a motion in Docket 1182 for approval of certain transactions with Hughes Tool Company; specifically, the purchase by TWA from Hughes Tool of up to 25 jet-powered aircraft. Subsequently the Board instituted an investigation of the proposed transaction in Docket 8061, consolidating therein TWA's motion referred to above.

Pursuant to a request by counsel for Hughes Tool and TWA, all procedural steps in this proceeding were indefinitely postponed on July 31, 1956, and the matter has remained dormant since that date.

We hereby formally withdraw our motion of May 10, 1956, in Docket 1182 and respectfully request that the proceedings thereon and in Docket 8061 be dismissed without prejudice.

Yours very truly,

TRANS WORLD AIRLINES, INC.

by Thomas K. Taylor
Thomas K. Taylor
Vice President

MAY 29 1958

MAY 29 1958
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

"5-4"

In the matter of the application of
JACKIE TOOL COMPANY
for approval under Section 101 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182

07052

By motion filed with the Board on April 18, 1958, Trans World Airlines, Inc. (TWA) requests modification of Order No. 3210 1, as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Company (Hughes) and between TWA and any affiliate or subsidiary of Hughes to "transactions involving complete items of property, the price of which does not exceed \$200 each, with the further limitation that the total annual expenditure involved in such commercial transactions by either party shall not exceed \$10,000."

The modification is desired to permit the following transactions between the two companies: (1) sublease by T.A. of five L-1049H aircraft from Hughes; (2) sale by T.A. to Hughes, upon the happening of certain contingencies, of four L-1049H aircraft which T.A. has contracted to purchase from Lockheed; (3) purchase by T.A. of \$1,155,143 worth of spare parts for L-1610A aircraft from Hughes; (4) guarantee by Hughes of certain T.A. obligations under a bank loan and under conditional sales contracts.

In support of its motion TA alleges, inter alia, that the aircraft and spare parts involved in these transactions are needed in the performance of its certificated services; that the terms under which TA is receiving them involve the payment of no consideration to Hughes other than the rent incurred by Hughes in the case of the leased aircraft and reimbursement of Hughes' actual cost in the case of the L-161A spare parts; and that the

DX321 1d., Item 9c, page 2
(CAB Orders & Documents)

- 2 -

guarantees by Hughes of T&A's obligations were of substantial advantage to the carrier, were purely for T&A's convenience and entailed no cost whatever to T&A. The carrier states further that, while it believes that payments by T&A to Hughes of the amounts due on T&A's obligations to third parties which may be assumed by Hughes as guarantor are not restricted by Order No. 3210, it would like the Board to clarify the order by eliminating any restrictions on such payments or modify the order to the extent necessary to allow the payments to be made in this instance.

The Board has previously approved the control of T&A by Hughes under section 403 of the Act ^{2/} and the proposed transactions raise no new issues with respect thereto. All of the transactions, including those involving guarantees by Hughes of T&A's obligations to third parties with the subsequent possibility that T&A may, directly or indirectly, make payments to Hughes as guarantor of these obligations, are outside of the scope of the permissible class of transactions stated in Order No. 3210. Accordingly, modification of this order so as to permit such transactions is required. The Board finds that the proposed transactions as set forth in the motion, do not violate the original intent of the restriction imposed upon transactions between T&A and Hughes, and further modification as ordered herein of Order No. 3210, as amended and modified, is just and reasonable and is in the public interest. However, such action shall not be deemed to be a determination for rate-making purposes of the reasonableness of the transactions.

ACCORDINGLY, IT IS ORDERED:

1. That any additional control of T&A by Hughes as may result from the transactions presented herein, be and it hereby is approved, provided that such additional control, if any, shall be exercised in accordance with the terms and conditions of Order No. 3210, issued October 17, 1944, as amended, approving the original acquisition of control of T&A by Hughes;
2. That Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended so as to permit the transactions between T&A and Hughes, as set forth in the motion, to take place;
3. That such action shall not be a determination for rate-making purposes of the reasonableness of the transactions;

^{2/} 6 C.A.B. 153 (1944) and 12 C.A.B. 192 (1950).

DX321 1d., Item 9c, page 3
(CAB Orders & Documents)

- 3 -

4. That the motion, except to the extent granted herein, be and it hereby is denied;

5. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ Mabel McCart

Mabel McCart
Acting Secretary

(SML)

↓

DX322

10a

BEFORE THE
CIVIL AERONAUTICS BOARD

JAN 30 1959

In the Matter of the Application of :

HUGHES TOOL COMPANY :

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of :

: Docket No. 1182

TRANS WORLD AIRLINES, INC. :

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should
be sent to:

WARREN LEE PIERSON
Chairman of the Board of Directors
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

January 29, 1959

BEFORE THE
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

In the Matter of the Application of :
HUGHES TOOL COMPANY :
for approval under Section 408 of : Docket No. 1182
the Civil Aeronautics Act of 1938, :
as amended, of the acquisition of :
control of :
TRANS WORLD AIRLINES, INC. :

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to
as "TWA") respectfully requests the Board to enter an order
herein modifying its Order Serial No. 3210, issued October 17,
1944, as amended, approving the acquisition and control of
TWA by Hughes Tool Company (herein referred to as "Hughes")
so that the terms of said order will not restrict the right
of TWA to enter into the transactions with Hughes more fully
described below.

1. Hughes has on order from Boeing Airplane Company,
15 Boeing Model 707-131 jet aircraft at a purchase price of
approximately \$4,700,000 per aircraft. Although TWA has
entered into no specific commitment to acquire such aircraft,
it nevertheless contemplates that certain of these aircraft
will be made available to it, on terms not yet determined, for
use in TWA's certificated operations. The first of these air-
craft (herein referred to as the "Leased Aircraft") has been
delivered to Hughes by Boeing Airplane Company and TWA desires
to make use of such aircraft in its jet training program.

2. Promptly after the filing of this application Hughes proposes to deliver the Leased Aircraft to TWA under a lease agreement, providing for its lease by TWA on a day-to-day basis, subject to the right of either party to terminate the lease on 24 hours written notice and subject to the approval of the Civil Aeronautics Board. A copy of the proposed form of lease is attached as Exhibit A.

3. Hughes has also acquired a stock of spare parts and provisioning for such Boeing Model 707-131 jet aircraft and proposes to make these available to TWA to the extent needed by TWA in the operation of the Leased Aircraft. Hughes will sell to TWA such of these spare parts and provisioning as TWA will request for use on the Leased Aircraft during the term of the lease, at Hughes' cost but not in excess of a total of \$100,000. A copy of the proposed form of letter agreement relative to this transaction is attached as Exhibit B.

4. TWA believes that use by it of the Leased Aircraft, and the spare parts therefor as set forth in paragraph 3 hereof, is necessary to enable TWA to carry forward its jet training program so that it will be in a position to conduct certificated service with jet equipment when such equipment is delivered to it.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into the transactions with Hughes Tool Company described above.

Respectfully submitted,

Thomas K. Taylor
Thomas K. Taylor
Vice President

January 29, 1959

Exhibit A

THIS AGREEMENT entered into as of the 27th day of January 1959 by and between Hughes Tool Company, a Delaware corporation ("Lessor") and Trans World Airlines, Inc., a Delaware corporation ("Lessee"):

W I T N E S S E T H :

1.

Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to hire and take from Lessor, subject to the terms and conditions herein provided, one Boeing Model 707-131 aircraft bearing FAA No. N731-TW (Manufacturer's Serial No. 17658), including four Pratt and Whitney JT3C-6 Engines (Serial Nos. SNP 629019B, SNP 629201B, SNP 629202B, and SNP 629203B), herein sometimes referred to as "the Aircraft."

2.

The lease of the Aircraft shall commence on delivery of the Aircraft to Lessee and shall continue from day-to-day until terminated by either of the parties. The lease shall terminate upon twenty-four^{hour} written notice to such effect from one party to the other. The Aircraft shall be delivered to Lessee hereunder at Kansas City, Missouri, on January 29, 1959 or on the delivery of the Aircraft to Lessor by Boeing Airplane Company, whichever is later.

3.

(a) At the time of commencement of this lease the Aircraft shall have a current provisional Certificate of Airworthiness issued under Special Civil Air Regulation No. 425, adopted by the Civil Aeronautics Board on June 20, 1958, permitting crew training, service testing and simulated carrier operations but not permitting carriage of passengers for hire. Lessee agrees to accept the Aircraft in its present

2.

condition and Lessor makes no warranties or representations whatsoever as to condition of the Aircraft, and none shall be implied in law.

Such warranties and guarantees from manufacturers and suppliers of the Aircraft and its equipment as can be effectively assigned for the term of this lease are hereby assigned by Lessor to Lessee for the term of this lease to the extent of Lessee's interest accruing during the term of such lease.

(b) Upon the termination of this lease, Lessee agrees to return the Aircraft to Lessor (at Mid-Continent International Airport, Kansas City, Missouri, or such other place as may be mutually agreed) in the same condition and equipped with the same equipment as it was at the commencement of the lease, except for reasonable wear and tear from ordinary use.

During the term of the lease Lessee may at its own expense remove from the Aircraft such items of equipment, and may install on the Aircraft such additional items of equipment, as Lessee may consider reasonably necessary to fit such Aircraft for use by Lessee; provided, however, that no such removal or installation which shall cause permanent change in the structure of the Aircraft shall be made without the prior written consent of Lessor unless such removal or installation is made pursuant to a mandatory FAA requirement. Such items as shall be so removed may be either retained in the custody of Lessee, or returned to Lessor, but in either event they shall be reinstalled on the Aircraft prior to the return of the Aircraft to Lessor. Items of non-mandatory nature that shall have been installed in the Aircraft shall be removed prior to the return of the Aircraft to Lessor.

3.

5.

Lessee shall perform all necessary maintenance, overhaul and servicing on the Aircraft during the term of the lease in accordance with the requirements of the Federal Aviation Agency.

6.

If, during the term of the lease of Aircraft pursuant to this agreement, the Federal Aviation Agency or any other governmental agency having jurisdiction shall make mandatory the installation, removal or modification (other than mere inspection) of items on the Aircraft, then compliance shall be effected promptly at Lessor's expense.

7.

Lessee shall be liable for any loss of, or damage to, any Aircraft while leased from Lessor hereunder. During all times that the Aircraft is leased hereunder, Lessee shall, at its own cost and expense, keep the Aircraft, insured against loss or damage from crash, fire, wind storm, collision, strikes, riots, insurrection, civil commotion or other accident or casualty (except war risk) with Lessor named as a co-insured and shall furnish Lessor with a certificate of insurance therefor. The amount of such insurance shall not be less than \$4,700,000 per Aircraft, with flight deductible and ground deductible clauses substantially equivalent to those currently in force in Lessee's other insurance policies. In the event of damage to the Aircraft, during the term of the lease, from a risk required to be covered by such insurance, Lessee will repair the damage at its own expense. Upon complying with the foregoing provision, Lessee shall be entitled to retain (or, in the case of receipt by Lessor, to receive from Lessor) all proceeds of insurance with respect to such damage. In the

4.
repair, Lessee will pay to Lessor, as their interests may appear, for such Aircraft the sum of \$4,700,000 (U.S. currency), less any amounts that might have been paid to and retained by Lessor as proceeds from the insurance, which shall constitute payment for all right, title and interest of Lessor in the Aircraft which shall thereupon pass to Lessee. The policies providing the insurance required by this agreement shall include customary provisions that Lessor shall not be responsible for the representations and warranties of Lessee and that Lessor shall receive notice prior to cancellation or expiration (unless the policy is being renewed) of any policy.

8.

Lessee agrees to defend, indemnify and hold harmless Lessor from and against all losses, including cost and expenses by reason of claims for injury or death of persons and loss or damage to property arising out of or in any manner connected with possession, use or operation by Lessee of the Aircraft leased hereunder during the term of such lease. During such term the Lessee shall keep in force and effect liability insurance in the amounts recommended by Lessee's Senior Vice-President-Finance.

9.

Lessee agrees that no Aircraft leased pursuant hereto will be used during the term of the lease in any manner which shall violate any law or regulation of any government or governmental agency having jurisdiction and that any fine, penalty or forfeiture resulting from any such violation shall be the sole responsibility of Lessee.

5.

10.

(a) is rent for the Aircraft leased hereunder Lessee shall pay to Lessor the sum of \$2500.00 for each full day during the term of the lease. The rental shall be paid on the last day of each month.

(b) Lessee shall also pay to Lessor in respect of each of the engines on the Aircraft \$31.00 per hour for each hour since the last overhaul on such engine at the time returned to Lessor on the termination of the lease less the number of hours since manufacture or overhaul on such engine on the delivery of the Aircraft to Lessee.

If the hours since last overhaul on any engine at the time it is returned to Lessor on termination of the lease are less than the number of hours since manufacture or overhaul on such engine on delivery of the Aircraft to Lessee, Lessor shall pay to Lessee \$31.00 for each hour of difference between the two figures.

Settlement under this subparagraph (b) shall be made within 15 days after the end of the term of the lease.

11.

Lessee shall have no right to consent to any lien or liens on the Aircraft. Any liens incurred by Lessee shall be discharged at the cost and expense of Lessee, who shall indemnify and save Lessor harmless against any such lien or liens. Lessee shall pay all operating taxes and licenses applicable to the Aircraft or the operation thereof, and also shall pay all property taxes assessed against Lessee or Lessor with respect to the Aircraft by any state, county, or other political subdivision to which Lessor would not ordinarily pay property taxes, except for the use of the Aircraft by

6.

Lessee hereunder. Lessee also shall pay any and all state, federal, county and local sales and use taxes assessed against either Lessee or Lessor resulting from the lease or use hereunder of the Aircraft.

12.

Notwithstanding any of the above provisions it is further agreed that

(a) This lease agreement is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder;

(b) This lease is subject to the necessary consents of the holders of obligations issued by Trans World Airlines, Inc. under its outstanding indentures, chattel mortgages and loan agreements. In the absence of such consents no rental shall be paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be executed in its name and in its behalf by its officer or agent thereunto duly authorized.

TRANS WORLD AIRLINES, INC.

By _____

HUGHES TOOL COMPANY

By _____

Raymond Cook as Agent.

EXHIBIT B

HUGHES TOOL COMPANY
2200 GULF BUILDING
HOUSTON 2, TEXAS

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, New York

Attention: Mr. A. V. Leslie

Re: Purchase of Spare Parts

Dear Sirs:

This letter will set forth our agreement and understanding concerning the purchase by TWA from Hughes Tool Company of spare parts and provisioning (herein called "Spares") for use in connection with the operation by TWA of the Boeing Model 707-131 Aircraft being leased to TWA from Hughes Tool Company under a lease agreement entered into simultaneously herewith.

From the stock of Spares owned by Hughes Tool Company and stored at Kansas City, Kansas and at other places known to TWA, TWA is hereby authorized to withdraw a supply of Spares and to store such Spares in TWA's custody at such places as it may select. From time to time TWA may purchase any of such spares as TWA may consider to be required in the operation of the aforementioned leased Aircraft, payment to be in cash and at Hughes Tool Company's actual cost. Upon the termination of the aforementioned lease agreement any Spares which are then in the custody of TWA and have not been purchased by it will promptly be returned to Hughes Tool Company at the place or places where originally withdrawn.

In no event shall the aggregate dollar amount of Spares purchased by TWA under this agreement exceed the sum of \$100,000.

Appropriate accounting procedures should be established for the accurate and prompt recordation of all transactions involving the withdrawing and purchase of Spares.

This agreement and arrangement are subject to approval of the Civil Aeronautics Board, and until an order has been entered by the Civil Aeronautics Board permitting the transactions covered by this agreement no payments shall be made hereunder.

If the foregoing is acceptable to TWA please so acknowledge by executing and returning the enclosed copy of this letter.

Very truly yours,

Accepted this
day of _____, 1959

Trans World Airlines, Inc.
by

Vice President

322
106

Order No. E-13542

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 28th day of February, 1959

In the matter of the application of

HUGHES TOOL COMPANY

Docket No. 1182

for approval of the acquisition of
control of Trans World Airlines, Inc.ORDER

By motion filed with the Board on January 30, 1959, Trans World Airlines, Inc. (TWA) requests modification of Order No. 3210, 1/ as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Company (Hughes) to those involving items of property the price of which does not exceed \$200 and which restricts the total annual expenditure involved in such transactions by either party to a sum not to exceed \$10,000. The modification is desired to permit TWA to lease one Boeing 707-131 aircraft from Hughes as well as to acquire from Hughes a supply of spare parts, not to exceed \$100,000 in value, which are needed for the operation of this aircraft.

In support of its motion, TWA states that the aircraft and the spare parts therefor are necessary to enable it to carry forward its jet training program so that it will be in a position to conduct certificated jet service as soon as sufficient jet equipment is delivered.

The Board has previously approved the control of TWA by Hughes under section 405 of the Act, 2/ and the proposed transactions raise no new issues with respect thereto. However, the transactions are outside of the scope of the permissible class of transactions stated in Order No. 3210 and modification of that order to permit such transactions is therefore required. The Board finds that the proposed transactions, as set forth in the motion, do not violate the original purpose of the Board in imposing the restrictions contained in Order No. 3210, and further finds that modification as ordered herein is just

1/ 6 C.A.B. 153, 158 (1954).

2/ 6 C.A.B. 153 (1954) and 12 C.A.B. 192 (1950)

- 2 -

and reasonable and in the public interest. However, such action shall not be deemed to be a determination for rate-making purposes of the reasonableness of the transactions.

ACCORDINGLY, IT IS ORDERED:

1. That, subject to the conditions hereinafter set forth, Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to permit the transactions between TWA and Hughes, as set forth in the motion, to take place;
2. That such action shall not be a determination for rate-making purposes of the reasonableness of the transactions;
3. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ Habel McCart

Habel McCart
Acting Secretary

(SEAL)

original

322
10c

EX-117-100-1182

①

BEFORE THE
CIVIL AERONAUTICS BOARD

In the Matter of the Application of

HUGHES TOOL COMPANY

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of

TRANS WORLD AIRLINES, INC.

Docket No.
1182

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

WARREN LEE PIERSON
Chairman of the Board of Directors
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

March 13, 1939

BEFORE THE
CIVIL AERONAUTICS BOARD

In the Matter of the Application of

HUGHES TOOL COMPANY

for approval under Section 408 of
the Civil Aeronautics Act of 1938,
as amended, of the acquisition of
control of

Docket No.
1182

TRANS WORLD AIRLINES, INC.

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition and control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. Hughes has an order from Boeing Airplane Company, 14 Boeing Model 707-131 jet aircraft at a purchase price of approximately \$4,700,000 per aircraft. Although, save as hereinafter set forth, TWA has entered into no specific commitment to acquire such aircraft, it nevertheless contemplates that certain of these aircraft will be made available to it, on terms

not yet determined, for use in TWA's certificated operations. The first Boeing 707-131 jet aircraft has already been delivered to Hughes by Boeing Airplane Company. Hughes has delivered said aircraft to TWA under a day-to-day lease subject to the approval of the Civil Aeronautics Board, all as more fully set forth in TWA's motion dated January 29, 1959 requesting that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into such transaction. By its Order Serial No. 13542 adopted February 26, 1959, the Board has permitted this transaction between TWA and Hughes.

2. In order to make additional such aircraft available to TWA, Hughes proposes to deliver up to eleven additional Boeing Model 707-131 jet aircraft (herein referred to as the "Leased Aircraft") to TWA under a lease agreement or agreements, providing for the lease of each such aircraft by TWA on a day-to-day basis at a rate not to exceed \$2,500 per day, subject to the right of either party to terminate the lease on 24 hours written notice and subject to the approval of the Civil Aeronautics Board. Such leases would in any event terminate no later than June 30, 1959. The proposed lease or leases will be in form substantially similar to the form attached as Exhibit A to TWA's motion herein dated January 29, 1959.

3. Hughes has also acquired a stock of spare parts and provisioning for such Boeing Model 707-131 jet aircraft and proposes to make these available to TWA to the extent needed by TWA in the operation of the Leased Aircraft. Hughes will sell to TWA such of these spare

parts and provisioning as TWA will request for use on the Leased Aircraft during the term of the lease or leases thereof, at Hughes' cost, provided that the total amount of spare parts and provisioning so acquired by TWA for the Leased Aircraft and for the airplane leased pursuant to Board Order No. 13542 shall not be in excess of \$3,500,000. A copy of the proposed form of letter agreement relative to this transaction is attached as Exhibit A.

4. Hughes will also deliver to TWA up to 30 spare aircraft engines for the Leased Aircraft under a lease agreement or agreements to be negotiated on terms comparable to those applicable to the Leased Aircraft. A copy of such lease agreement, when negotiated, will be filed with the Board as a supplement to this motion.

5. Use by TWA of the Leased Aircraft, and the spare engines, spare parts and provisioning therefor referred to in paragraphs 3 and 4 hereof, is necessary to enable TWA to carry forward its jet training program and to permit TWA to commence the operation of jet service on its certificated routes.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into the transactions with Hughes Tool Company described above.

Respectfully submitted,



A. V. Leslie
Senior Vice President-Finance
and Treasurer

March 13, 1959

DX322 id., Item 10d(1), page 1
(CAB Orders & Documents)

CHADBOURNE, PARKE, WHITESIDE & WOLFF
35 BROADWAY, NEW YORK 4, N.Y.

Blow 4-8888 RECEIVED

WILLIAM H. PARKE
GEORGE W. WHITESIDE
HENRY J. WOLFF
ALEXANDER S. ROYCE
LEE S. MOREY
HORACE S. HUTCHESON
STANFORD BURN
ROBERT C. SOMMELEY
JAMES S. CHAMBERS
RALPH S. RAY
CHARLES S. LAUREN
CHARLES MCAREY
CARL S. ROWE
DEE W. STONE
CYRIL F. HETERO
HARRY L. WEST
RICHARD A. HODGINS
JOHN F. COSTELLOE
THOMAS D. STONE
WILLIAM B. BROWN
JOHN B. BROWN

WASHINGTON, D.C. OFFICE
SHOREMAN BUILDING
REPHONE 7-8050

WARREN E. BAKER
WASHINGTON PARTNER

MAR 23 8 00 AM '59

U.S. DEPARTMENT OF AIR OPERATIONS

March 19, 1959

1182

CIVIL AERONAUTICS BOARD
RECEIVED

MAR 23 1959

CARRIER RELATIONS DIV.

Mr. J. W. Rosenthal
Bureau of Air Operations
Civil Aeronautics Board
Washington 25, D. C.

Dear Mr. Rosenthal:

Enclosed for your information is a copy of an Agreement of Lease entered into on March 17, 1959 by Hughes Tool Company and TWA, covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N732TW. This covers the second Boeing 707-131 leased by Hughes to TWA and the first such aircraft covered by TWA's Motion of March 13, 1959 in Docket No. 1182. As indicated in the Motion, this lease was entered into subject to the approval of the Civil Aeronautics Board.

Except for changes in the plane and engine numbers, the addition of a clause at the end of the second sentence of paragraph 2 and the addition of a sentence at the end of paragraph 11, the enclosed lease is in the same form as the lease executed in connection with TWA's Motion of January 29, 1959, in Docket No. 1182, which was approved by the Board's Order Serial No. 13542 of February 26, 1959.

Very truly yours,

Carl S. Rowe

DX322 id., Item 10d(1), page 2
(CAB Orders & Documents)

THIS AGREEMENT entered into as of the 17th day of March 1959 by and between Hughes Tool Company, a Delaware corporation ("Lessor") and Trans World Airlines, Inc., a Delaware corporation ("Lessee"):

W I T N E S S E T H :

1.

Lessor hereby agrees to lease to Lessee and Lessee hereby agrees to hire and take from Lessor, subject to the terms and conditions herein provided, one Boeing Model 707-131 aircraft bearing FAA No. N732TW (Manufacturer's serial No. 17659), including four Pratt and Whitney JT3C-6 Engines (Serial Nos. SNP629074B , SNP628855B , SNP628852B , and SNP628844B), herein sometimes referred to as "the Aircraft."

2.

The lease of the Aircraft shall commence on delivery of the Aircraft to Lessee and shall continue from day-to-day until terminated by either of the parties. The lease shall terminate upon twenty-four hour written notice to such effect from one party to the other and shall in any event terminate no later than June 30, 1959. The Aircraft shall be delivered to Lessee hereunder at Kansas City, Missouri, or such other place as may be mutually agreed.

3.

(a) Lessee agrees to accept the Aircraft in its present condition and Lessor makes no warranties or representations whatsoever as to condition of the Aircraft, and none shall be implied in law.

Such warranties and guarantees from manufacturers and suppliers of the Aircraft and its equipment as can be effectively assigned for the term of this lease are hereby assigned by Lessor to Lessee for the term of this lease to the extent of Lessee's interest accruing during the term of such lease.

(b) Upon the termination of this lease, Lessee agrees to return the Aircraft to Lessor (at Mid-Continent International Airport, Kansas City, Missouri, or such other place as may be mutually agreed) in the same condition and equipped with the same equipment as it was at the commencement of the lease, except for reasonable wear and tear from ordinary use.

4.

During the term of the lease Lessee may at its own expense remove from the Aircraft such items of equipment, and may install on the Aircraft such additional items of equipment, as Lessee may consider reasonably necessary to fit such Aircraft for use by Lessee; provided, however, that no such removal or installation which shall cause permanent change in the structure of the Aircraft shall be made without the prior written consent of Lessor unless such removal or installation is made pursuant to a mandatory FAA requirement. Such items as shall be so removed may be either retained in the custody of Lessee, or returned to Lessor, but in either event they shall be reinstalled on the Aircraft prior to the return of the Aircraft to Lessor. Items of non-mandatory nature that shall have been installed in the Aircraft shall be removed prior to the return of the Aircraft to Lessor.

DX322 1d., Item 10d(1), page 4
(CAB Orders & Documents)

5.

Lessee shall perform all necessary maintenance, overhaul and servicing on the Aircraft during the term of the lease in accordance with the requirements of the Federal Aviation Agency.

6.

If, during the term of the lease of Aircraft pursuant to this agreement, the Federal Aviation Agency or any other governmental agency having jurisdiction shall make mandatory the installation, removal or modification (other than mere inspection) of items on the Aircraft, then compliance shall be effected promptly at Lessor's expense.

7.

Lessee shall be liable for any loss of, or damage to, any Aircraft while leased from Lessor hereunder. During all times that the Aircraft is leased hereunder, Lessee shall, at its own cost and expense, keep the Aircraft, insured against loss or damage from crash, fire, wind storm, collision, strike, riots, insurrection, civil commotion or other accident or casualty (except war risk and engine ingestion) with Lessor named as a co-insured and shall furnish Lessor with a certificate of insurance therefor. The amount of such insurance shall not be less than \$4,700,000 per Aircraft, with flight deductible and ground deductible clauses substantially equivalent to those currently in force in Lessee's other insurance policies. In the event of damage to the Aircraft, during the term of the lease, from a risk required to be covered

by such insurance, Lessee will repair the damage at its own expense. Upon complying with the foregoing provision, Lessee shall be entitled to retain (or, in the case of receipt by Lessor, to receive from Lessor) all proceeds of insurance with respect to such damage. In the event the Aircraft is lost, destroyed or damaged beyond repair, Lessee will pay to Lessor, as their interests may appear, for such Aircraft the sum of \$4,700,000 (U.S. currency), less any amounts that might have been paid to and retained by Lessor as proceeds from the insurance, which shall constitute payment for all right, title and interest of Lessor in the Aircraft which shall thereupon pass to Lessee. The policies providing the insurance required by this agreement shall include customary provisions that Lessor shall not be responsible for the representations and warranties of Lessee and that Lessor shall receive notice prior to cancellation or expiration (unless the policy is being renewed) of any policy.

8.

Lessee agrees to defend, indemnify and hold harmless Lessor from and against all losses, including cost and expenses by reason of claims for injury or death of persons and loss or damage to property arising out of or in any manner connected with possession, use or operation by Lessee of the Aircraft leased hereunder during the term of such lease. During such term the Lessee shall keep in force and effect liability insurance in the amounts recommended by Lessee's Senior Vice-President-Finance.

9.

Lessee agrees that no Aircraft leased pursuant hereto will be used during the term of the lease in any manner which shall violate any law or regulation of any government or governmental agency having jurisdiction and that any fine, penalty or forfeiture resulting from any such violation shall be the sole responsibility of Lessee.

10.

(a) As rent for the Aircraft leased hereunder Lessee shall pay to Lessor the sum of \$ 2,500.00 for each full day during the term of the lease. The rental shall be paid on the last day of each month.

(b) Lessee shall also pay to Lessor in respect of each of the engines on the Aircraft \$31.00 per hour for each hour since the last overhaul on such engine at the time returned to Lessor on the termination of the lease less the number of hours since manufacture or overhaul on such engine on the delivery of the Aircraft to Lessee.

If the hours since last overhaul on any engine at the time it is returned to Lessor on termination of the lease are less than the number of hours since manufacture or overhaul on such engine on delivery of the Aircraft to Lessee, Lessor shall pay to Lessee \$31.00 for each hour of difference between the two figures.

Settlement under this subparagraph (b) shall be made within 15 days after the end of the term of the lease.

11.

Lessee shall have no right to consent to any

lien or liens on the Aircraft. Any liens incurred by Lessee shall be discharged at the cost and expense of Lessee, who shall indemnify and save Lessor harmless against any such lien or liens. Lessee shall pay all operating taxes and licenses applicable to the Aircraft or the operation thereof, and also shall pay all property taxes assessed against Lessee or Lessor with respect to the Aircraft by any state, county, or other political subdivision to which Lessor would not ordinarily pay property taxes, except for the use of the Aircraft by Lessee hereunder. Lessee also shall pay any and all state federal, county and local sales and use taxes assessed against either Lessee or Lessor resulting from the lease or use hereunder of the Aircraft.

The title of Lessor (whether as trustee or otherwise), to the Aircraft and any right of Lessor (whether as trustee or otherwise) to take possession of the Aircraft in compliance with the provisions of this lease shall not be affected by the provisions of Chapter X of the Federal Bankruptcy Act as amended from time to time.

12.

Notwithstanding any of the above provisions it is further agreed that

(a) This lease agreement is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder;

(b) This lease is subject to the necessary consents of the holders of obligations issued by Trans World Airlines, Inc. under its outstanding

indentures, chattel mortgages and loan agreements.
In the absence of such consents no rental shall be
paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto
has caused this agreement to be executed in its name and
in its behalf by its officer or agent thereunto duly
authorized.

TRANS WORLD AIRLINES, INC.

By /s/ A. V. Leslie
Senior Vice President-Finance

HUGHES TOOL COMPANY

By /s/ Raymond M. Holliday
Vice President

CHADBOURNE, PARKE, WHITESIDE & WOLFF

25 BROADWAY, NEW YORK 4, N.Y.

Dialer 4-8900

WASHINGTON, D. C. OFFICE
SHOREHAM BUILDING
RECEIVED 7-8030

March 30, 1959

Mr. J. W. Rosenthal
Bureau of Air Operations
Civil Aeronautics Board
Washington 25, D. C.

CIVIL AERONAUTICS BOARD
RECEIVED
APR 1 1959
COMMUNICATIONS DIV.

Dear Mr. Rosenthal:

Enclosed for your information is a copy of an Agreement of Lease entered into on March 30, 1959 by Hughes Tool Company and TWA, covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N733TW.

This lease covers the third Boeing 707-131 leased by Hughes to TWA and the second such aircraft covered by TWA's Motion of March 13, 1959 in Docket No. 1182. As indicated in the Motion this lease was entered into subject to the approval of the Civil Aeronautics Board.

The enclosed lease is in form identical to the lease covering aircraft FAA No. N732TW, a copy of which was forwarded to you by Mr. Rowe on March 19, 1959.

Very truly yours,

Harold L. Warner Jr.

Enclosure

RECEIVED

APR 2 8 39 PM '59

OFFICE OF DIRECTOR
BUREAU OF AIR OPERATIONS

DX322 1d., Item 10(d)(3)
(CAB Orders & Documents)

CHADBOURNE, PARKE, WHITESIDE & WOLFF

35 BROADWAY, NEW YORK 4, N.Y.

DIsc 4-2200

April 22, 1959

RECEIVED

APR 23 1 59 PM '59

CIVIL AERONAUTICS BOARD
OFFICE OF DIRECTOR
RECEIVED

APR 23 1959

CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. OFFICE
SHOREMAN BUILDING
RECEIVED 7-6050

WARREN E. BAKER
WASHINGTON PARTNER

Mr. J. W. Rosenthal
Bureau of Air Operations
Civil Aeronautics Board
Washington 25, D. C.

Dear Mr. Rosenthal:

Enclosed for your information is a copy of an Agreement of Lease entered into on April 18, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N735TW.

This lease covers the fifth Boeing 707-131 leased by Hughes to TWA and the fourth such aircraft covered by TWA's Motion of March 13, 1959 in Docket No. 1182. As indicated in the Motion this lease was entered into subject to the approval of the Civil Aeronautics Board. The lease of this aircraft commenced on April 18, 1959, when the aircraft was delivered to TWA.

The enclosed lease is in form identical to the lease covering aircraft FAA No. N732TW, a copy of which was forwarded to you on March 19, 1959.

Very truly yours,

Carl S. Rowe

Enclosure

WILLIAM H. PARKE
ALFRED W. WHITESIDE
JOHN J. WOLFF
ALFRED S. ROYCE
LEE E. ROYCE
JAMES G. HITCHCOCK
STANLEY DUNN
JOHN W. C. CORNWELL
JAMES A. COCHRAN
RALPH E. ROY
CHARLES W. LAUREN
CHARLES MCNEELY
CARL S. ROWE
KEITH STONE
CHAS. F. METZGER
MARTIN L. WEST
ROBERT D. HOBBS
JOHN F. COSTELLO
FRANK B. STONE
MANN DOWNSON
BING SOMMERHOF

DX322 1d., Item 10(d)(4)
(CAB Orders & Documents)

CHADBOURNE, PARKE, WHITESIDE & WOLFF
25 BROADWAY, NEW YORK 4, N.Y.

Dist. 4-2222

WILLIAM H. PARKE
GEORGE W. WHITESIDE
HENRY J. WOLFF
ALEXANDER B. ROYCE
LEE S. MOREY
HORACE G. MITCHELL
STANFORD DUNN
ROBERT C. GORMLEY
JAMES L. CROMBIE
RALPH D. RAY
CHARLES S. LAUREN
CHARLES PIGEATY
CARL S. ROME
DYE W. STONE
CYRIL F. HETTER
HARRY L. WEST
RICHARD R. HERRING
JOHN F. COSTELLO
FRANK S. STONE
NORMAN BOWENSON
DAVID BOWENSON

WASHINGTON, D.C.
BUREAU OF
REPAIRS

WARREN E. BAKER
WASHINGTON, D.C.

CIVIL AERONAUTICS BOARD
RECEIVED

May 4, 1959

MAY 11 1959

Mr. J. W. Rosenthal
Bureau of Air Operations
Civil Aeronautics Board
Washington 25, D. C.

CARRIER RELATIONS DIV.

Dear Mr. Rosenthal:

Enclosed for your information is a copy of an Agreement of Lease entered into on April 29, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N736TW.

This lease covers the sixth Boeing 707-131 leased by Hughes to TWA and the fifth such aircraft covered by TWA's Motion of March 13, 1959 in Docket No. 1182. As indicated in the Motion this lease was entered into subject to the approval of the Civil Aeronautics Board. The lease of this aircraft commenced on April 29, 1959, when the aircraft was delivered to TWA.

The enclosed lease is in form identical to the lease covering aircraft FAA No. N732TW, a copy of which was forwarded to you on March 19, 1959.

Very truly yours,

Carl S. Rome

RECEIVED
May 5 11 41 AM '59
OFFICE OF DIRECTOR
BUREAU OF AIR OPERATIONS

DX322 1d., Item 10(d)(5)
(CAB Orders & Documents)

CHADBOURNE, PARKE, WHITESIDE & WOLFE

35 BROADWAY, NEW YORK 4, N.Y.

DIARY 4-8800

RECEIVED
MAY 20 9 54 AM '59
CIVIL AERONAUTICS BOARD

WASHINGTON, D. C. OFFICE
SHOREHAM BUILDING
REPHONE 7-6000

May 18, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motion dated March 13, 1959 of
Trans World Airlines, Inc. for
approval of Transactions with
Hughes Tool Company, Docket No.
1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959, enclosed for filing on behalf of TWA in the above matter are a copy of agreement of lease entered into as of May 10, 1959 and copy of agreement of lease entered into as of May 13, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N737TW and N738TW respectively.

These leases cover the seventh and eighth Boeing 707-131 leased by Hughes to TWA and the sixth and seventh such aircraft covered by TWA's Motion of March 13, 1959 in the above docket. As indicated in the Motion these leases were entered into subject to the approval of the Civil Aeronautics Board. The lease of aircraft FAA No. N737TW commenced on May 10, 1959 and the lease of aircraft FAA No. N738TW commenced on May 13, 1959, the respective dates the aircraft were delivered to TWA.

The enclosed leases are in form identical to the five preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

(1)

CHADBOURNE, PARKE, WHITESIDE & WOLF
25 BROADWAY, NEW YORK 4, N.Y.
Dial 4-8800

②-B-110

MAY 27 12 12 PM '59

WASHINGTON, D.C. OFFICE
SHOREMAN BUILDING
RECEIVED 7-8080

May 26, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motion dated March 13, 1959 of
Trans World Airlines, Inc. for
approval of Transactions with
Hughes Tool Company, Docket No.
1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of May 24, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N740TW.

This lease covers the ninth Boeing 707-131 leased by Hughes to TWA and the eighth such aircraft covered by TWA's Motion of March 13, 1959 in the above docket. The lease commenced on May 24, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

Harold L. Warner

Enclosures

DX322 1d., Item 10(d)(7)
(CAB Orders & Documents)

①
CHADDOURNE, PARKE, WHITESIDE & WOLFF
25 BROADWAY, NEW YORK 4, N.Y.
Dial 4-8900

JUN 4 11 25 AM '59

~~①-B-75~~
~~②-B-110~~
WASHINGTON, D.C. OFFICE
SHOREHAM BUILDING
RECEIVED 7-6030

June 3, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motion dated March 13, 1959 of
Trans World Airlines, Inc. for
approval of Transactions with
Hughes Tool Company, Docket No.
1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of May 28, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N739TW.

This lease covers the tenth Boeing 707-131 leased by Hughes to TWA and the ninth such aircraft covered by TWA's Motion of March 13, 1959 in the above docket. The lease commenced on May 28, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

Harold L. Warner Jr.

Enclosures

DX322 1d., Item 10(d)(8)
(CAB Orders & Documents)

orig. only

CHADDOURNE, PARKE, WETTESIDE & WOLFF
25 BROADWAY, NEW YORK 4, N.Y.
Dialer 4-8800

JUN 13 12 57 PM '59

WASHINGTON, D. C. OFFICE
SHOREHAM BUILDING
REPHONE 7-8000

①

1182

June 18, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motion dated March 13, 1959 of
Trans World Airlines, Inc. for
approval of Transactions with
Hughes Tool Company, Docket No.
1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of June 13, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N741TW.

This lease covers the eleventh Boeing 707-131 leased by Hughes to TWA and the tenth such aircraft covered by TWA's Motion of March 13, 1959 in the above docket. The lease commenced on June 13, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

Harold L. Warner

Enclosure

AX-2223
DX322 id., Item 10(d)(9)
(CAB Orders & Documents)

CHADDOURNE, PARKE, WHITESIDE & WOLFF

25 BROADWAY, NEW YORK 4, N.Y.

Dial 4-8900

WASHINGTON, D. C. OFFICE
SHOREHAM BUILDING
RECEIVED 7-9-59

312
1016
July 6, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motions dated March 13 and June
26, 1959 of Trans World Airlines,
Inc. for approval of Transactions
with Hughes Tool Company, Docket
No. 1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959 and Order Serial No. E 14169 issued July 1, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of July 1, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N742TW.

This lease covers the twelfth Boeing 707-131 leased by Hughes to TWA and the eleventh such aircraft covered by TWA's Motion of March 13, 1959 in the above docket. The lease commenced on July 1, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

Harold R. Warner

Enclosure

(1)

CHADBOURNE, PARKE, WHITESIDE & WOLFF

35 BROADWAY, NEW YORK 4, N.Y.

Dialer 4-8000

CIVIL AERONAUTICS BOARD
RECEIVEDWASHINGTON, D.C. OFFICE
SHOREMAN BUILDING
RECEIVED 7-10-59

JUL 21 1959

CARRIER RELATIONS DIV.

July 17, 1959

Civil Aeronautics Board
Washington 25, D. C.

Re: Motions dated March 13 and June
26, 1959 of Trans World Airlines,
Inc. for approval of Transactions
with Hughes Tool Company, Docket
No. 1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959 and Order Serial No. E 14169 issued July 1, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of July 10, 1959 by Hughes Tool Company and TWA covering the lease by TWA from Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N743TW.

This lease covers the thirteenth Boeing 707-131 leased by Hughes to TWA and the first such aircraft covered by TWA's Motion of June 26, 1959 in the above docket. The lease commenced on July 10, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

Harold L. Warner

Enclosure

DX322 id., Item 10(d)(11)
(CAB Orders & Documents)

CHADBOURNE, PARKE, WHITESIDE & WOLFF

25 BROADWAY, NEW YORK 4, N.Y.

Dialer 4-8800

WILLIAM W. PARKE
 GEORGE W. WHITESIDE
 JERRY J. WOLFF
 ALFRED A. ROYCE
 LEE S. HONEY
 RONALD G. MITCHELL
 STANLEY DUNN
 JAMES A. CHIMMINS
 ALAN S. RAY
 CHARLES S. LAUREN
 CHARLES MCASSETT
 DALE S. ROWE
 DEE K. STONE
 CHAS. F. HETBRO
 HARRY L. WEST
 DONALD R. HOBBS
 J. F. COSTELLOE
 A. S. STONE
 WYNN BOWENSON
 GENE BOWENSON

WASHINGTON, D.C. OFFICE
 SHOREMAN BUILDING
 RECEPTION 7-8010

WARREN E. BAKER
 WASHINGTON PARTNER

August 7, 1959

Civil Aeronautics Board
 Washington 25,
 D. C.

Re: Motions dated March 13 and June 26,
 1959 of Trans World Airlines, Inc.
 for approval of Transactions with
Hughes Tool Company, Docket No. 1182

Gentlemen:

Pursuant to Order Serial No. E 13873 issued May 15, 1959 and Order Serial No. E 14169 issued July 1, 1959, enclosed for filing on behalf of TWA in the above matter is a copy of agreement of lease entered into as of August 1, 1959 by Hughes Tool Company on a day-to-day basis of Boeing Model 707-131 aircraft, FAA No. N745TW.

This lease covers the 15th Boeing 707-131 leased by Hughes to TWA and the third such aircraft covered by TWA's motion of June 26, 1959 in the above Docket. The lease commenced on August 1, 1959, the date the aircraft was delivered to TWA.

The enclosed lease is in form identical to the preceding leases filed by TWA in connection with its Motion of March 13, 1959 in the above matter.

Very truly yours,

W. S. Rowe
 CIVIL AERONAUTICS BOARD
 AUG 10 1959
 CARRIER RELATIONS DIV.

Enclosure

321
10

①

Order No. E-13573

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 15th day of May, 1959

In the matter of the application of

HUGHES TOOL COMPANY

Docket No. 1182

for approval of the acquisition of
control of Trans World Airlines, Inc.

ORDER

By notice filed with the Board on March 16, 1959, Trans World Airlines, Inc. (TWA) requests modification of Order No. 3210, as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Company (Hughes) to those involving items of property the price of which does not exceed \$200 and which restricts the total annual expenditures involved in such transactions by either party to a sum not to exceed \$10,000. The modification is desired to permit TWA to lease on an individual basis up to eleven Boeing 707-131 aircraft from Hughes as they become available, as well as to acquire from Hughes at Hughes' actual cost a supply of spare parts, not to exceed \$3,500,000 in value, which are needed for the operation of these aircraft. In addition, modification is requested to permit the lease by Hughes of up to thirty spare jet engines to TWA. The rental charges and other terms of the spare engine leases have not as yet been negotiated.

In support of its motion, TWA states that the aircraft and the spare parts and engines therefor are necessary to enable it to carry forward its jet training program and to commence jet service on its certificated routes. The Board recently authorized a similar transaction between TWA and Hughes involving a single Boeing 707-131 aircraft. The additional aircraft involved in the present transaction will be leased under substantially the same terms as those approved in the prior transaction.

The Board has previously approved the control of TWA by Hughes under section 408 of the Act. However, the transactions are outside the scope of the permissible class of transactions stated in Order No. 3210 and modification of that order to permit such transactions is therefore required. Upon review of the application and all subsequent filings the Board finds that the proposed aircraft lease transactions, and the agreement for the purchase of spare parts

1/ 6 C.A.B. 153, 158 (1944).

2/ Order No. E-13542, February 26, 1959

3/ 6 C.A.B. 153 (1944) and 12 C.A.B. 192 (1950).

- 2 -

do not violate the original purpose of the Board in imposing the restrictions contained in Order No. 3210 and further finds that modification as ordered herein is just and reasonable and in the public interest. However, inasmuch as the terms of the spare engine leases have not been filed, the Board cannot at this time determine whether modification of Order No. 3210 is justified with regard to the spare engine lease transactions. Therefore, the Board will defer action on TWA's motion insofar as it requests authorization for the lease of thirty spare jet engines to TWA.

Under the agreement, a separate lease will be executed for each aircraft. However, since only four of these leases have been filed, the Board will condition its approval of the instant aircraft lease transactions upon the filing, within ten days of the execution thereof, of each aircraft lease. The Board's action herein shall not be deemed a determination for rate-making purposes of the reasonableness of the transactions.

ACCORDINGLY, IT IS ORDERED:

1. That, subject to the conditions hereinafter set forth, Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to permit the aircraft lease transactions between TWA and Hughes, and the agreement for the acquisition of up to \$3,500,000 worth of spare parts as set forth in the motion to take place;
2. That TWA shall file within ten days of the execution thereof a copy of each aircraft lease;
3. That action on TWA's motion insofar as it requests authorization for the lease of thirty spare jet engines by Hughes to TWA be and it hereby is deferred;
4. That such action shall not be a determination for rate-making purposes of the reasonableness of the transactions;
5. That this order may be amended or revoked at any time in the discretion of the Board without hearing;
6. That the motion, except to the extent granted or deferred herein, be and it hereby is denied.

By the Civil Aeronautics Board:

/s/ Mabel McCart

Mabel McCart
Acting Secretary

(3242)

322
10(f)

JUN 30 1959

BEFORE THE
CIVIL AERONAUTICS BOARD

----- 1
In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.
----- 2

Docket No.
1182

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

WARREN LEE PIENSON
Chairman of the Board of Directors
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

June 26, 1959

4174

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the matter of the application of :

HUGHES TOOL COMPANY :

Docket No.
1182

for approval of the acquisition of :
control of Trans World Airlines, Inc. :

----- X
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. By motion filed with the Board on January 30, 1959 TWA requested a modification of Order No. 3210 issued October 17, 1944, as amended, so as to permit TWA to lease one Boeing 707-131 jet aircraft from Hughes as well as to acquire from Hughes a supply of spare parts, not to exceed \$100,000 in value, which were needed for the operation of said aircraft.

On February 26, 1959 the Board by its Order No. 13542 amended Order No. 3210 so as to permit the transactions between TWA and Hughes, as set forth in said motion, to take place.

2. Thereafter, as set forth in TWA's motion filed with the Board on March 16, 1959, subject to the approval of the Board Hughes proposed to lease to TWA up to eleven additional Boeing Model 707-131 jet aircraft (herein referred to as the "Leased Aircraft") on a day-to-day basis at a rate of \$2,500 per day, subject to the right of either party to terminate the lease agreement on twenty-four hour written notice, such leases in any event to terminate no later than June 30, 1959. As a part of this transaction Hughes also agreed to sell to TWA at Hughes' actual cost certain spare parts and provisioning, not to exceed \$3,500,000 in value, needed for the operation of the Leased Aircraft.

On May 15, 1959 the Board by its Order No. 13873 amended Order No. 3210, issued October 17, 1944, as amended by subsequent orders, so as to permit the aforesaid aircraft lease transactions between TWA and Hughes and the agreement for the acquisition of up to \$3,500,000 worth of spare parts to take place.

3. TWA and Hughes had anticipated that definitive financing arrangements permitting TWA to operate the Leased Aircraft on a permanent basis would be finalized on or about June 30, 1959. However, arrangements for such financing have not as yet been completed and accordingly the parties desire to extend the date of latest termination provided for in the leases of the Leased Aircraft (including the proposed lease of the aircraft not yet delivered to TWA referred to in paragraph 4) from June 30, 1959 to September 30, 1959. A proposed form of amendment so extending said leases already executed is attached hereto as Exhibit A.

4. Aircraft FAA No. N731TW, covered by Board Order No. 13542, was leased to TWA under date of January 29, 1959. Ten of the eleven Leased Aircraft covered by the Board's Order No. 13873 have been delivered to TWA and the one remaining Leased Aircraft is scheduled for delivery in the near future.

Hughes has remaining on order from Boeing Airplane Company three additional Boeing Model 707-131 jet aircraft at a purchase price of approximately \$4,700,000 per aircraft. In order to make additional such aircraft available to TWA, Hughes proposes to deliver up to three Boeing Model 707-131 jet aircraft in addition to the "Leased Aircraft" and aircraft FAA No. N731TW. The three additional Boeing Model 707-131 jet aircraft would be delivered to TWA under a lease agreement or agreements, providing for the lease of each such aircraft by TWA on a day-to-day basis at a rate not to exceed \$2500 per day, subject to the right of either party to terminate the lease on twenty-four hours written notice and subject to the approval of the Civil Aeronautics Board. Such leases would in any event terminate no later than September 30, 1959. The proposed lease or leases will be in form substantially similar to the form attached as Exhibit A to TWA's motion herein dated January 29, 1959.

5. Hughes has further agreed to sell to TWA as Hughes' cost when and if requested by TWA such spare parts and provisioning as are owned by Hughes or are on order and are available for use in the operation of the Leased

Aircraft and the four other Boeing Model 707-131 jet aircraft referred to in paragraph 4. A copy of the proposed form of letter agreement relative to this transaction is attached as Exhibit B.

6. In its motion dated March 13, 1959 in the above matter, TWA requested that the Board's Order permit TWA to lease from Hughes Tool Company "up to 30 spare aircraft engines for the Leased Aircraft under a lease agreement or agreements to be negotiated on terms comparable to those applicable to the Leased Aircraft." The motion further stated "A copy of such lease agreement, when negotiated, will be filed with the Board as a supplement to this motion."

In its Order No. E-13873 the Board deferred action on TWA's motion insofar as it requests authorization for the lease of 30 spare jet engines by Hughes Tool Company to TWA.

Since the filing of the motion, TWA has tentatively decided to defer the question of how TWA should handle the acquisition of its total spare aircraft engine requirements until definitive financing has been worked out for jet equipment and as a result TWA has purchased directly from the manufacturer certain additional spare engines in order to satisfy interim requirements. Consequently, no further action is requested of the Board at this time on TWA's motion of March 13, 1959.

7. Use by TWA of the Leased Aircraft, the four additional Boeing Model 707-131 jet aircraft and

DX322 id., Item 10(f), page 6
(CAB Orders & Documents)

the spare parts and provisioning is necessary to enable TWA to continue the operation of jet service on its certificated routes.

WHEREFORE, TRANS WORLD AIRLINES, INC.
respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended; so that its order will permit TWA to enter into the transactions with Hughes Tool Company described above.

Respectfully submitted,

O. P. Healey
Senior Vice President-
Finance and Treasurer

June 26, 1959

EXHIBIT A

THIS AGREEMENT entered into as of the
day of _____, 1959 by and between Hughes
Tool Company, a Delaware corporation ("Lessor") and
Trans World Airlines, Inc., a Delaware corporation
("Lessee"):

WITNESSETH:

WHEREAS, Lessor and Lessee have heretofore
entered into lease agreements covering the day-to-day
leasing by Lessor to Lessee of Boeing Model 707-131
aircraft as follows:

<u>Aircraft FAA No.</u>	<u>Date of Lease</u>
N732TW	March 17, 1959
N733TW	March 30, 1959
N734TW	April 3, 1959
N735TW	April 18, 1959
N736TW	April 29, 1959
N737TW	May 10, 1959
N738TW	May 13, 1959
N740TW	May 24, 1959
N739TW	May 28, 1959
N741TW	June 13, 1959

and

WHEREAS, said leases contemplate that they
shall in any event terminate no later than June 30,
1959, and

WHEREAS, the parties desire to amend said
leases so as to extend the date of latest termination
from June 30, 1959 to September 30, 1959.

NOW, THEREFORE, the parties hereto agree as
follows:

1. Effective June 30, 1959, the second
sentence of paragraph 2 of each of the leases above

specified is hereby amended to read as follows:

"The lease shall terminate upon twenty-four hour written notice to such effect from one party to the other and shall in any event terminate no later than September 30, 1959."

2. (a) This lease amendment is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder;

(b) This lease amendment is subject to the necessary consents of the holders of obligations issued by Trans World Airlines, Inc. under its outstanding indentures, chattel mortgages and loan agreements. In the absence of such consents no rental shall be paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be executed in its name and in its behalf by its officer or agent thereunto duly authorized.

TRANS WORLD AIRLINES, INC.

By Senior Vice President-Finance

HUGHES TOOL COMPANY

By _____ Vice President

EXHIBIT B

HUGHES TOOL COMPANY
2200 GULF BUILDING
HOUSTON 2, TEXAS

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, New York

Attention: Mr. A. V. Leslie

Re: Purchase of Spare Parts

Dear Sirs:

The letter agreement between us dated March 25, 1959 provides that TWA may purchase at Hughes Tool Company's actual cost such Boeing 707-131 aircraft spare parts and provisioning owned by Hughes Tool Company as TWA may request, not to exceed however in aggregate dollar amount the sum of \$3,500,000.

To permit the continued operation of the Boeing 707 aircraft by TWA Hughes Tool Company hereby agrees, when and if requested by TWA, to sell to TWA on the same terms and conditions as outlined in our letter of March 25, 1959, such additional 707-131 spare parts and provisioning as are owned by Hughes or are on order and are available for use in connection with the operation of said aircraft.

This amendment to our agreement is subject to the approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the additional transactions covered by this amendment no payments shall be made under said amendment.

If the foregoing is acceptable to TWA please so acknowledge by executing and returning the enclosed copy of this letter.

Very truly yours,

Accepted this
day of , 1959

Trans World Airlines, Inc.
by

4182

322
10(g)

Order No. E-14169

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 1st day of July, 1959

In the matter of the application of :

HUGHES TOOL COMPANY :

Docket No. 1182 :

for approval of the acquisition of :

control of Trans World Airlines, Inc. :

ORDER

On May 15, 1959, by Order No. E-13873, the Board modified its order approving the acquisition of control of Trans World Airlines, Inc. (TWA) by Hughes Tool Company (Hughes) 1/ so as to permit TWA to lease on an individual basis, as they became available, up to eleven Boeing 707-131 aircraft from Hughes and to acquire, when and as needed in the operation of these aircraft, a stock of not to exceed \$3,500,000 worth of spare parts from Hughes at Hughes' actual cost. These leases were to be on a day-to-day basis and were to expire no later than June 30, 1959. Ten of these leases have been executed. By motion filed June 29, 1959, TWA requests modification of Order No. 3210 so as to permit the extension of these ten leases under the same rental and other terms until no later than September 30, 1959, as well as to permit the lease, under identical terms, of four additional Boeing 707-131 aircraft, and the purchase from Hughes at Hughes' actual cost of additional spare parts necessary for the operation of the leased jet aircraft.

TWA states that it had anticipated that definitive financing arrangements permitting it to operate these jet aircraft on a permanent basis would have been finalized by June 30, 1959, but that since arrangements for such financing have not as yet been completed the parties to the leases now desire to extend them until September 30, 1959, and to lease additional aircraft during this same period.

1/ Order No. 3210, issued October 17, 1944. This order, as amended by subsequent orders, restricts commercial transactions between TWA and Hughes to items not exceeding \$200 each and totaling not more than \$10,000 per year.

- 2 -

The Board has previously approved the control of TWA by Hughes under section 408 of the Act. 2/. However, the proposed transactions are outside the scope of the permissible class of transactions stated in Order No. 3210, and modification of that order to permit such transactions is therefore required. Upon review of the motion, the Board finds that the extension of the aircraft leases, the leasing of four additional aircraft, and the agreement for the purchase of additional spare parts at Hughes' actual cost do not violate the original purpose of the Board in imposing the restrictions contained in Order No. 3210, and further finds that modification as ordered herein is just and reasonable and in the public interest. The Board will condition its approval of the four additional aircraft lease transactions upon the filing, within ten days of the execution thereof, of each of these aircraft leases. The Board's action herein shall not be deemed a determination for rate-making purposes of the reasonableness of the transactions.

ACCORDINGLY, IT IS ORDERED:

1. That, subject to the conditions hereinafter set forth, Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to permit the extension of the currently existing aircraft leases which were approved by Order No. E-13673 and the leasing of additional aircraft by TWA from Hughes and the agreement for the acquisition of additional spare parts as set forth in the motion, to take place;
2. That TWA shall file within ten days of the execution thereof a copy of the heretofore unexecuted aircraft leases;
3. That such action shall not be a determination for rate-making purposes of the reasonableness of the transactions;
4. That this order may be amended or revoked at any time in the discretion of the Board without hearings.

By the Civil Aeronautics Board.

/s/ Nabel McCurt

Nabel McCurt
Acting Secretary

(SEAL)

DX322 1d, Item 10(h), page 1
(CAB Orders & Documents)*Original*

322

10(4)

BEFORE THE
CIVIL AERONAUTICS BOARD

In the matter of the application of

HUGHES TOOL COMPANY

for approval of the acquisition of
control of Trans World Airlines, Inc.Docket No.
1182MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANYCommunications with respect to this document should be
sent to:WARREN LEE PIERSON
Chairman of the Board of Directors
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

GRADEBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

September 22, 1959

BEFORE THE
CIVIL AERONAUTICS BOARD

----- x
In the matter of the application of :

HUGHES TOOL COMPANY :

Docket No.
1182

for approval of the acquisition of :
control of Trans World Airlines, Inc. :

----- x
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. By motion filed with the Board on January 30, 1959, TWA requested a modification of Order No. 3210 issued October 17, 1944, as amended, so as to permit TWA to lease one Boeing 707-131 jet aircraft from Hughes.

On February 26, 1959 the Board by its Order No. 13542 amended Order No. 3210 so as to permit the aforesaid transaction between TWA and Hughes to take place.

2. Thereafter on May 15, 1959 the Board by its Order No. 13873 approved the leasing by Hughes to

TWA of up to 11 additional Boeing Model 707-131 jet aircraft as set forth in TWA's motion filed with the Board on March 16, 1959. Said leases were on a day-to-day basis and were to expire no later than June 30, 1959. Ten such leases were executed.

3. By motion filed June 29, 1959 TWA requested modification of Order No. 3210 so as to permit the extension of the ten leases referred to in paragraph 2 under the same rental and other terms until no later than September 30, 1959, as well as to permit the lease, under identical terms, of four additional Boeing Model 707-131 aircraft.

On July 1, 1959, the Board by its Order No. 14169 amended Order No. 3210, issued October 17, 1944, as amended by subsequent orders, so as to permit the aforesaid aircraft lease transactions between TWA and Hughes to take place. The ten Boeing Model 707-131 jet aircraft leased by Hughes to TWA as set forth in paragraph 2, together with the four additional Boeing Model 707-131 jet aircraft leased to TWA as authorized by Order No. 14169, are herein referred to as the "Leased Aircraft".

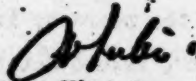
4. TWA and Hughes had anticipated that definitive financing arrangements permitting TWA to operate the Leased Aircraft on a permanent basis would have heretofore been finalized. However, since arrangements for such financing have not as yet been completed the parties accordingly desire to extend the date of termination provided for in the leases of the Leased Aircraft beyond September 30, 1959 and until terminated by either party upon twenty-four hours written notice by one party to the other. A proposed form of amendment so extending said

leases is attached hereto as Exhibit A.

5. Use by TWA of the Leased Aircraft is necessary to enable TWA to continue the operation of jet service on its certificated routes.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into the transactions with Hughes Tool Company described above.

Respectfully submitted,



Senior Vice President -
Finance and Treasurer

September 22, 1939

4186

EXHIBIT A

THIS AGREEMENT entered into as of the
day of _____, 1959 by and between Hughes Tool
Company, a Delaware corporation ("Lessor") and Trans
World Airlines, Inc., a Delaware corporation ("Lessee");

W I T N E S S E T H :

WHEREAS, Lessor and Lessee have heretofore
entered into lease agreements covering the day-to-day
leasing by Lessor to Lessee of Boeing Model 707-131
aircraft as follows;

AIRCRAFT FAA NO.

DATE OF LEASE

N732TW	March 17, 1959
N733TW	March 30, 1959
N734TW	April 3, 1959
N735TW	April 18, 1959
N736TW	April 29, 1959
N737TW	May 10, 1959
N738TW	May 13, 1959
N740TW	May 24, 1959
N739TW	May 28, 1959
N741TW	June 13, 1959
N742TW	July 1, 1959
N743TW	July 10, 1959
N744TW	July 14, 1959
N745TW	August 1, 1959

and

WHEREAS, said leases, as amended, contemplate
that they shall in any event terminate no later than
September 30, 1959, and

WHEREAS, the parties desire to amend said
leases so as to extend the date of termination beyond
September 30, 1959 and until terminated by either party
upon twenty-four hours written notice by one party to
the other.

NOW, THEREFORE, the parties hereto agree as
follows;

1. Effective September 30, 1959, the second sentence of paragraph 2 of each of the leases above specified is hereby amended to read as follows:

"The lease shall terminate upon twenty-four hour written notice to such effect from one party to the other".

2. (a) This lease amendment is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder.

(b) This lease amendment is subject to the necessary consents of the holders of obligations issued by Trans World Airlines, Inc. under its outstanding indentures, chattel mortgages and loan agreements. In the absence of such consents no rental shall be paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto has caused this agreement to be executed in its name and in its behalf by its officer or agent thereunto duly authorized.

TRANS WORLD AIRLINES, INC.

By Senior Vice President - Finance

HUGHES TOOL COMPANY

By _____ Vice President

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Order No. E-14504

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 30th day of September, 1959

In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182

ORDER

On July 1, 1959, by Order No. E-14169, the Board modified its order approving the acquisition of control of Trans World Airlines, Inc. (TWA) by Hughes Tool Company (Hughes) 1/ so as to permit, among other things, the extension of ten leases of Boeing 707-131 aircraft by TWA from Hughes 2/ until September 30, 1959, and to permit the lease of four additional Boeing 707-131 aircraft. By motion filed September 23, 1959, TWA requests modification of Order No. 3210 so as to permit the extension of these leases, under identical terms, until such time as they are terminated by either party upon 24 hours' written notice.

TWA states that it had anticipated that definitive financing arrangements permitting it to operate these jet aircraft on a permanent basis would have been finalized by September 30, 1959, but that since arrangements for such financing have not as yet been completed, the parties to the leases now desire to extend them until such time as these arrangements are completed.

The Board has previously approved the control of TWA by Hughes under section 403 of the Act. 3/ However, the proposed lease extensions are outside the scope of the permissible class of transactions stated in Order No. 3210,

1/ Order No. 3210, issued October 17, 1944. This order, as amended by subsequent orders, restricts commercial transactions between TWA and Hughes to items not exceeding \$200 each and totaling not more than \$12,000 per year.

2/ By Order No. E-13973, May 15, 1959, the Board modified Order No. 3210 so as to permit the original lease of these aircraft.

3/ 6 CAB 153 (1944) and 12 CAB 192 (1950).

- 2 -

and modification of that order to permit such transactions is therefore required. Upon review of the motion, the Board finds that the extension of these aircraft leases does not violate the original purpose of the Board in imposing the restrictions contained in Order No. 3210, and further finds that, under the circumstances described above, modification as ordered herein is just and reasonable and in the public interest. The Board's action herein shall not be deemed a determination for rate-making purposes of the reasonableness of the transactions.

ACCORDINGLY, IT IS ORDERED:

1. That, subject to the conditions hereinafter set forth, Order No. 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to permit the extension of the aircraft leases as set forth in TWA's motion;
2. That such action shall not be a determination for rate-making purposes of the reasonableness of the transactions;
3. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board.

/s/ Mabel McCart

Mabel McCart
Acting Secretary

(SMA)

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EX-12-1182

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BEFORE THE
CIVIL AERONAUTICS BOARD

----- x
In the matter of the application of :
HUGHES TOOL COMPANY :
for approval of the acquisition of :
control of Trans World Airlines, Inc. :
----- x

Docket No. 1182 ✓

NOTICE OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

THOMAS K. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

November 6, 1959

4189

BEFORE THE
CIVIL AERONAUTICS BOARD

----- 2
In the matter of the application of :

HUGHES TOOL COMPANY :

Docket No. 1182

for approval of the acquisition of :
control of Trans World Airlines, Inc. :

----- 2
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. Hughes has on order from Boeing Airplane Company 12 Boeing Model 707-331 jet aircraft at a purchase price of approximately \$5,600,000 per aircraft. In addition Hughes has on order 30 Convair Model 440 jet aircraft at a purchase price of approximately \$3,930,000 per aircraft.

2. Although TWA has entered into no specific commitment to acquire such aircraft, it nevertheless contemplates that certain of these aircraft will be made available to it, on terms not yet determined, for use in

TWA's certificated operations. Current estimates indicate that the first Boeing Model 707-331 aircraft will be ready for delivery in November, 1959 and that the first Convair 880 aircraft will be ready for delivery approximately one month thereafter. TWA desires to make use of the first aircraft to be delivered in its jet training program and subsequently to make use of these and other such aircraft in the operation of jet service on its certificated routes.

3. As TWA has advised the Board in connection with the temporary extension of its leases from Hughes Tool Company of Boeing Model 707-131 aircraft, approved by CAB Order No. 14504, definitive financing plans for TWA's jet aircraft program have not yet been completed. Pending the completion of these definitive plans, it is desirable that interim arrangements be made covering TWA's use of the jet aircraft in its operation.

4. In order to make certain of such aircraft available to TWA, Hughes proposes to deliver Boeing Model 707-331 jet aircraft and Convair Model 880 jet aircraft (said Boeing and Convair jet aircraft being hereinafter referred to as the "Leased Aircraft") to TWA under a lease agreement or agreements, providing for the lease of each such aircraft by TWA on a day-to-day basis at a rate not to exceed \$2,940 per day with respect to the Boeing Model 707-331 jet aircraft and \$2,070 per day with respect to the Convair Model 880 jet aircraft, subject to the right of either party to terminate the lease on twenty-four hours written notice and subject to the approval of the Civil Aeronautics Board. Such lease will be in substantially the same form as the present leases by

TWA from Hughes of Boeing Model 707-131 aircraft, the subject of CAB Orders Nos. 13542, 13873 and 14169. A copy of the proposed form of lease is attached as Exhibit A. No more than eight of each type of aircraft would be leased by TWA without the submission to the Board of a supplemental motion requesting approval of such additional leases.

5. Hughes has also acquired or has on order certain spare parts and provisioning for the Boeing Model 707-331 aircraft and for the Convair Model 440 aircraft. Hughes will sell to TWA at Hughes' cost when and if requested by TWA such spare parts and provisioning as are owned by Hughes or are on order. A copy of the proposed form of letter agreement relative to this transaction is attached as Exhibit B.

6. TWA believes that use by it of the Leased Aircraft, and the spare parts and provisioning therefor, as set forth in paragraph 5, is necessary to enable TWA to carry forward its jet training program and to enable TWA to conduct certificated service with Boeing Model 707-331 and Convair Model 440 jet aircraft when such aircraft are delivered to it.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into transactions with Hughes Tool Company described above.

Respectfully submitted,

Charles S. Thomas
C. S. Thomas
President

November 6, 1959

EXHIBIT A

THIS AGREEMENT entered into as of the
day of _____, 1959 by and between Hughes Tool Company,
a Delaware corporation ("Lessor") and Trans World Airlines,
Inc., a Delaware corporation ("Lessee");

W I T N E S S E T H :

I.

Lessor hereby agrees to lease to Lessee and
Lessee hereby agrees to hire and take from Lessor, subject
to the terms and conditions herein provided, one
Model _____ aircraft bearing FAA No. _____ (Manu-
facturer's Serial No. _____), including four
Engines (Serial Nos. _____,
_____, and _____), herein sometimes referred
to as "the Aircraft."

2.

The lease of the Aircraft shall commence on
delivery of the Aircraft to Lessee and shall continue
from day-to-day until terminated by either of the parties.
The lease shall terminate upon twenty-four hour written
notice to such effect from one party to the other. The
Aircraft shall be delivered to Lessee hereunder at
_____, or such other place as may
be mutually agreed.

3.

(a) Lessee agrees to accept the Aircraft in
its present condition and Lessor makes no warranties or
representations whatsoever as to condition of the Aircraft,
_____ shall be implied in law.

Such warranties and guarantees from manufacturers and suppliers of the Aircraft and its equipment as can be effectively assigned for the term of this lease are hereby assigned by Lessor to Lessee for the term of this lease to the extent of Lessee's interest accruing during the term of such lease.

(b) Upon the termination of this lease, Lessee agrees to return the Aircraft to Lessor (at Mid-Continent International Airport, Kansas City, Missouri, or such other place as may be mutually agreed) in the same condition and equipped with the same equipment as it was at the commencement of the lease, except for reasonable wear and tear from ordinary use.

During the term of the lease Lessee may at its own expense remove from the Aircraft such items of equipment, and may install on the Aircraft such additional items of equipment, as Lessee may consider reasonably necessary to fit such Aircraft for use by Lessee; provided, however, that no such removal or installation which shall cause permanent change in the structure of the Aircraft shall be made without the prior written consent of Lessor unless such removal or installation is made pursuant to a mandatory FAA requirement. Such items as shall be so removed may be either retained in the custody of Lessee, or returned to Lessor, but in either event they shall be reinstalled on the Aircraft prior to the return of the Aircraft to Lessor. Items of non-mandatory nature that shall have been installed in the Aircraft shall be removed prior to the return of the Aircraft to Lessor.

5.

Lessee shall perform all necessary maintenance, overhaul and servicing on the Aircraft during the term of the lease in accordance with the requirements of the Federal Aviation Agency.

6.

If, during the term of the lease of Aircraft pursuant to this agreement, the Federal Aviation Agency or any other governmental agency having jurisdiction shall make mandatory the installation, removal or modification (other than mere inspection) of items on the Aircraft, then compliance shall be effected promptly at Lessor's expense.

7.

Lessee shall be liable for any loss of, or damage to, any Aircraft while leased from Lessor hereunder. During all times that the Aircraft is leased hereunder, Lessee shall, at its own cost and expense, keep the Aircraft, insured against loss or damage from crash, fire, wind storm, collision, strike, riots, insurrection, civil commotion or other accident or casualty (except war risk and engine ingestion) with Lessor named as a co-insured and shall furnish Lessor with a certificate of insurance therefor. The amount of such insurance shall not be less than \$ per Aircraft, with flight deductible and ground deductible clauses substantially equivalent to those currently in force in Lessee's other insurance policies. In the event of damage to the Aircraft, during the term of the lease, from a risk required to be covered

by such insurance, Lessee will repair the damage at its own expense. Upon complying with the foregoing provision, Lessee shall be entitled to retain (or, in the case of receipt by Lessor, to receive from Lessor) all proceeds of insurance with respect to such damage. In the event the Aircraft is lost, destroyed or damaged beyond repair, Lessee will pay to Lessor, as their interests may appear, for such Aircraft the sum of \$ (U. S. currency), less any amounts that might have been paid to and retained by Lessor as proceeds from the insurance, which shall constitute payment for all right, title and interest of Lessor in the Aircraft which shall thereupon pass to Lessee. The policies providing the insurance required by this agreement shall include customary provisions that Lessor shall not be responsible for the representations and warranties of Lessee and that Lessor shall receive notice prior to cancellation or expiration (unless the policy is being renewed) of any policy.

8.

Lessee agrees to defend, indemnify and hold harmless Lessor from and against all losses, including cost and expenses by reason of claims for injury or death of persons and loss or damage to property arising out of or in any manner connected with possession, use or operation by Lessee of the Aircraft leased hereunder during the term of such lease. During such term the Lessee shall keep in force and effect liability insurance in the amounts recommended by Lessee's Senior Vice-President-Finance.

9.

Lessee agrees that no Aircraft leased pursuant hereto will be used during the term of the lease in any manner which shall violate any law or regulation of any government or governmental agency having jurisdiction and that any fine, penalty or forfeiture resulting from any such violation shall be the sole responsibility of Lessee.

10.

(a) As rent for the Aircraft leased hereunder Lessee shall pay to Lessor the sum of \$ for each full day during the term of the lease. The rental shall be paid on the last day of each month.

(b) Lessee shall also pay to Lessor in respect of each of the engines on the Aircraft \$ per hour for each hour since the last overhaul on such engine at the time returned to Lessor on the termination of the lease less the number of hours since manufacture or overhaul on such engine on the delivery of the Aircraft to Lessee.

If the hours since last overhaul on any engine at the time it is returned to Lessor on termination of the lease are less than the number of hours since manufacture or overhaul on such engine on delivery of the Aircraft to Lessee, Lessor shall pay to Lessee \$ for each hour of difference between the two figures.

Settlement under this subparagraph (b) shall be made within 15 days after the end of the term of the lease.

11.

Lessee shall have no right to consent to any

lien or liens on the Aircraft. Any liens incurred by Lessee shall be discharged at the cost and expense of Lessee, who shall indemnify and save Lessor harmless against any such lien or liens. Lessee may sublease the Aircraft to any scheduled airline operating in the United States, provided such sublease is made expressly subject to the terms and conditions hereof. Lessee shall pay all operating taxes and licenses applicable to the Aircraft or the operation thereof, and also shall pay all property taxes assessed against Lessee or Lessor with respect to the Aircraft by any state, county, or other political subdivision to which Lessor would not ordinarily pay property taxes, except for the use of the Aircraft by Lessee hereunder. Lessee also shall pay any and all state, federal, county and local sales and use taxes assessed against either Lessee or Lessor resulting from the lease or use hereunder of the Aircraft.

The title of Lessor (whether as trustee or otherwise), to the Aircraft and any right of Lessor (whether as trustee or otherwise) to take possession of the Aircraft in compliance with the provisions of this lease shall not be affected by the provisions of Chapter X of the Federal Bankruptcy Act as amended from time to time.

12.

Notwithstanding any of the above provisions it is further agreed that

(a) This lease agreement is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no rental shall be paid hereunder;

(b) This lease is subject to the necessary consents of the holders of obligations issued by

DX322 1d., Item 10j, page 11
(CAB Orders & Documents)

indentures, chattel mortgages and loan agreements.
In the absence of such consents no rental shall be
paid hereunder.

IN WITNESS WHEREOF, each of the parties hereto
has caused this agreement to be executed in its name and
in its behalf by its officer or agent thereunto duly
authorized.

TRANS WORLD AIRLINES, INC.

By _____

HUGHES TOOL COMPANY

By _____

EXHIBIT B

HUGHES TOOL COMPANY
2200 GULF BUILDING
HOUSTON 2, TEXAS

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, New York

Attention: Mr. A. V. Leslie

Re: Purchase of Spare Parts

Dear Sirs:

This letter will set forth our agreement and understanding concerning the purchase by TWA from Hughes Tool Company of spare parts and provisioning (herein called "Spare") for use in connection with the operation by TWA of the Boeing Model 707-331 jet aircraft and Convair Model 440 jet aircraft leased by TWA from Hughes Tool Company.

Hughes Tool Company hereby agrees to sell to TWA at Hughes Tool Company's actual cost such Spares as are owned by Hughes Tool Company or are on order by it as TWA may from time to time elect to purchase.

Appropriate accounting procedures should be established for the accurate and prompt recordation of all transactions involving the withdrawing and purchase of Spares.

This agreement and arrangement are subject to approval of the Civil Aeronautics Board, and until an order has been entered by the Civil Aeronautics Board permitting the transactions covered by this agreement no payments shall be made hereunder.

If the foregoing is acceptable to TWA please
so acknowledge by executing and returning the enclosed
copy of this letter.

Very truly yours,

Accepted this
day of

, 1959

Trans World Airlines, Inc.

by

Vice President

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Order No. E-14877

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 29th day of January, 1960

In the matter of the application of :
HUGHES TOOL COMPANY :
for approval of the acquisition of :
control of Trans World Airlines, Inc. :

Docket 1182

ORDER

By motion filed with the Board on November 6, 1959, Trans World Airlines, Inc. (TWA) requests modification of Order 3210, 1/ as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Company (Hughes) and between TWA and any affiliate or subsidiary of Hughes to "transactions involving complete items of property, the price of which does not exceed \$200 each, with the further limitation that the total annual expenditure involved in such commercial transactions by either party shall not exceed \$10,000." The modification is desired to permit TWA to lease from Hughes on an individual, day-to-day basis up to eight Boeing 707-331 aircraft and up to eight Convair 440 aircraft, and to purchase from Hughes at Hughes' actual cost such spare parts and provisioning for these aircraft as TWA may require.

In support of its motion, TWA states that the aircraft and the spare parts therefor are necessary to enable it to carry forward its jet training program and to provide additional jet service over its certificated routes pending completion of definitive financing arrangements permitting it to operate these aircraft on a permanent basis.

The Board has previously approved the control of TWA by Hughes under section 405 of the Act, 2/ and the proposed transactions raise no new issues with respect thereto. However, the transactions are outside of the scope of the permissible class of transactions stated in Order 3210, and modification of that order to permit such transactions is therefore required.

1/ 6 C.A.B. 153, 158 (1944).

2/ 6 C.A.B. 153 (1944) and 12 C.A.B. 192 (1950).

- 2 -

The Board finds that the proposed transactions, as set forth in the motion, do not violate the original purpose of the Board in imposing the restrictions contained in Order 3210, and further finds that modification as ordered herein is just and reasonable and in the public interest. However, such action shall not be deemed to be a determination for rate-making purposes of the reasonableness of the transactions. The Board will condition its authorization herein upon the filing of each of the aircraft leases within ten days after the execution thereof.

ACCORDINGLY, IT IS ORDERED:

1. That, subject to the conditions hereinafter set forth, Order 3210, issued October 17, 1944, as amended by subsequent orders, be and it hereby is further amended to permit the transactions between TWA and Hughes, as set forth in the motion, to take place;
2. That TWA shall file a copy of each aircraft lease within ten days after the execution thereof;
3. That this action shall not be deemed a determination for rate-making purposes of the reasonableness of the transactions;
4. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ Habel McCart

Habel McCart
Acting Secretary

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CIVIL AERONAUTICS BOARD

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BEFORE THE
CIVIL AERONAUTICS BOARD

In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182 ✓

NOTICE OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

THOMAS E. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 - 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 6, N. Y.

March 30, 1960

DX322 1d., Item 11a, page 2
(CAB Orders & Documents)

BEFORE THE
CIVIL AERONAUTICS BOARD

----- 1
In the matter of the application of :

HUGHES TOOL COMPANY :

Docket No. 1182

for approval of the acquisition of :
control of Trans World Airlines, Inc. :

----- 1
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. Hughes has on order from Boeing Airplane Company seven Boeing Model 707-331 jet aircraft at a purchase price of approximately \$5,600,000 per aircraft. In addition Hughes has on order thirty Convair Model 440 jet aircraft at a purchase price of approximately \$3,930,000 per aircraft.

2. As TWA has previously advised the Board in connection with the leases from Hughes Tool Company

of Boeing Model 707-131 aircraft, approved by CAB Order No. 14504, and in connection with the leasing from Hughes Tool Company of Boeing Model 707-331 jet aircraft and Convair Model 880 jet aircraft, approved by CAB Order No. 14877, definitive financing plans for TWA's jet aircraft program are being completed.

3. The definitive financing plans contemplate that TWA will acquire title to the jet aircraft heretofore leased by Hughes to TWA as well as to additional Boeing Model 707-331 jet aircraft and Convair Model 880 jet aircraft.

4. The Board in its Order E-14877 approved the leasing by Hughes to TWA of up to eight Boeing Model 707-331 jet aircraft. Five such aircraft have been leased pursuant to Order E-14877. In lieu of leasing additional Boeing Model 707-331 jet aircraft and in order to make such aircraft immediately available to TWA on a permanent basis, Hughes proposes to assign to TWA Hughes' right to acquire two Boeing Model 707-331 jet aircraft and the customer-furnished equipment thereon from the vendor. TWA would acquire such right at Hughes' cost, including advance payments made by Hughes with respect to such aircraft and customer-furnished equipment and interest on advance payments made by Hughes to the vendor with respect thereto. Following such assignment and subject to TWA's acceptance of the aircraft on delivery, TWA proposes to purchase the aircraft from the vendor by payment to the vendor of the balance of the purchase price applicable to such aircraft. Payment to Hughes of its down payments made thereon and

DX322 1d., Item 11a, page 4
(CAB Orders & Documents)

interest applicable thereto will be made only following approval thereof by the Board.

5. TWA believes that the acquisition of the two Boeing Model 707-331 jet aircraft referred to herein is necessary and desirable for use in TWA's domestic and international operations and that such acquisition is reasonable and in the best interest of TWA.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into transactions with Hughes Tool Company described above.

Respectfully submitted,

C. S. Thomas
C. S. Thomas
President

March 30, 1960

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①

BEFORE THE
CIVIL AERONAUTICS BOARD

In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182 ✓

**NOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY**

Communications with respect to this document should be
sent to:

THOMAS K. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 16th Street, N. W.
Washington 6, D. C.

and

CHADBOURNE, PARKER, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

April 14, 1960

BEFORE THE
CIVIL AERONAUTICS BOARD----- 2
In the matter of the application of :

HUGHES TOOL COMPANY :

: Docket No. 1182-

for approval of the acquisition of :
control of Trans World Airlines, Inc. :----- 2
NOTICE OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. As TWA has previously advised the Board definitive financing plans for the TWA jet aircraft program are now being completed. It is anticipated that full details of this program will be worked out shortly. Pending the completion of the details of such program and in order to make an additional Boeing Model 707-331 jet aircraft immediately available to TWA on a permanent basis, Hughes proposes to assign to TWA Hughes' right to acquire a third Boeing Model 707-331 jet aircraft and the

customer-furnished equipment thereon from the vendor.

As in the case of the two Boeing Model 707-331 jet aircraft covered by TWA's motion to the Board of March 30, 1960, TWA would acquire such right with respect to the third aircraft at Hughes' cost, including advance payments made by Hughes with respect to such aircraft and customer-furnished equipment and interest on advance payments made by Hughes to the vendor with respect thereto. Following such assignment and subject to TWA's acceptance of the aircraft on delivery, TWA proposes to purchase the aircraft from the vendor by payment to the vendor of the balance of the purchase price applicable to such aircraft. Payment to Hughes of its down payments made thereon and interest applicable thereto will be made only following approval thereof by the Board.

2. Pending completion of the definitive financing program TWA may arrange temporary financing for the third Boeing Model 707-331 jet aircraft on a letter of credit basis, TWA's obligations thereunder to be guaranteed by Hughes.

3. The definitive financing plans for TWA's jet aircraft program contemplate that TWA will acquire title to certain of the Convair Model 880 jet aircraft on order by Hughes. In order to use the Convair Model 880 jet aircraft in its jet training program and subsequently to make use of these aircraft on its certificated routes, it is desirable that TWA have the use of a flight simulator to train its flight crews in the

operation of the Convair Model 880 jet aircraft.

4. Hughes has on order from Link Aviation, Inc. a flight simulator for the Convair Model 880 jet aircraft at a purchase price of approximately \$1,018,550.

5. So that this simulator may be made immediately available to TWA Hughes proposes to assign to TWA Hughes' interest therein upon TWA's agreement to pay Hughes' cost and to assume all liabilities and obligations of Hughes to the vendor, including the payment of the balance of the purchase price.

Following such assignment and subject to TWA's acceptance of the simulator on delivery, TWA proposes to purchase the simulator from the vendor by payment to the vendor of the balance of the purchase price applicable to such simulator. Payment to Hughes of its costs, including down payments made thereon and interest applicable thereto, will be made only following approval thereof by the Board.

6. Hughes is willing to make said Boeing Model 707-331 jet aircraft and said flight simulator available to TWA on the above basis.

7. The foregoing program is subject to the necessary approvals of the holders of obligations issued by TWA under its outstanding indentures, chattel mortgages and loan agreements.

8. TWA believes that the acquisition of the Boeing Model 707-331 jet aircraft and the flight simulator for the Convair Model 880 jet aircraft is necessary

and desirable for use in TWA's operations and that such acquisition is reasonable and in the best interests of TWA.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into transactions with Hughes Tool Company described above.

Respectfully submitted,

Thomas K. Taylor
Thomas K. Taylor
Vice President

DX322 1d., Item 11c, page 1
(CAB Orders & Documents)

Original

BEFORE THE
CIVIL AERONAUTICS BOARD

RECEIVED
DOCKET SECTION

MAY 6 4 09 PM '60

CIVIL AERONAUTICS BOARD

322
11c

In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

Communications with respect to this document should be
sent to:

THOMAS E. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 - 16th Street, N.W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

May 6, 1960

4211

BEFORE THE
CIVIL AERONAUTICS BOARD-----
In the matter of the application of

HUGHES TOOL COMPANY

for approval of the acquisition of
control of Trans World Airlines, Inc.Docket No. 1182
-----MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein modifying its Order Serial No. 3210, issued October 17, 1944, as amended, approving the acquisition of control of TWA by Hughes Tool Company (herein referred to as "Hughes") so that the terms of said order will not restrict the right of TWA to enter into the transactions with Hughes more fully described below.

1. Hughes now has on order from Boeing Airplane Company four Boeing Model 707-331 jet aircraft at a purchase price of approximately \$5,600,000 per aircraft. In addition Hughes has on order thirty Convair Model 440 jet aircraft at a purchase price of approximately \$3,930,000 per aircraft.

2. TWA has previously leased from Hughes, on a day-to-day basis, fifteen Boeing Model 707-131 aircraft and five Boeing Model 707-331 aircraft and such leases have been approved by orders of the Board. TWA has also acquired from Hughes three additional Boeing Model 707-331 aircraft, as set forth in the motions dated March 30, 1960 and April 14, 1960 in this proceeding. TWA, by motions

also requested approval of leasing from Hughes additional Boeing Model 707-331 aircraft and certain Convair Model 880 jet aircraft.

As TWA has advised the Board in such motions, definitive financing plans for the TWA jet aircraft program are now being completed. As a part of these plans it is proposed that TWA acquire title to the fifteen Boeing Model 707-131 aircraft and the five Boeing Model 707-331 aircraft now leased by TWA from Hughes. It is also proposed that as a part of such plans Hughes will assign to TWA Hughes' rights in the contracts covering two additional Boeing Model 707-331 jet aircraft and 20 Convair Model 880 jet aircraft and customer-furnished equipment therefor. TWA would also acquire Hughes' interest in, or contract rights covering, the spare parts, equipment and provisioning for such aircraft owned or on order by Hughes.

3. TWA would purchase from Hughes the nineteen jet aircraft under lease to TWA on December 31, 1959 at Hughes' net book value, including interest on Hughes' payments and other costs applicable to such nineteen aircraft. TWA would purchase the jet aircraft leased to TWA after December 31, 1959, Hughes' contract rights in the additional twenty-two jet aircraft and Hughes' interest or contract rights in the spare parts, provisioning and equipment therefor at Hughes' cost, including interest thereon. The existing leases of jet aircraft from Hughes to TWA would be cancelled as of the acquisition of title by TWA, with rental on the jet aircraft leased after December 31, 1959, cancelled from the beginning.

4. The proposed transactions described in paragraphs 2 and 3 hereof are more fully set forth in the form of

agreement between TWA and Hughes attached hereto as Exhibit A. Such transactions would be in addition to the purchase by TWA from Hughes of the three additional Model 707-331 jet aircraft and the flight simulator for the Convair Model 880 aircraft referred to in TWA's motions dated March 30, 1960 and April 14, 1960 and the purchase by TWA from Hughes of spare parts and provisioning for jet aircraft previously approved by order of the Board.

5. Following assignment of Hughes' contract rights referred to in paragraph 2, and subject to completion of financing arrangements satisfactory to TWA and to TWA's acceptance on delivery, TWA proposes to purchase such aircraft, spare parts, equipment and provisioning from the vendors by payment to the vendors of the balance of the purchase price applicable thereto. Payment to Hughes of its costs therefor, including interest applicable thereto, will be made only following the approval thereof by the Board. It is presently contemplated that one additional Boeing Model 707-331 aircraft, five Convair 880 aircraft, twenty-six spare jet engines and a substantial part of the other spare parts, equipment and provisioning would be thus acquired before June 30, 1960, and that the balance of such purchases would, in large part, be completed prior to November 30, 1960.

6. It is proposed that TWA's acquisition of the jet aircraft, spare parts, provisioning and equipment would be financed by the sale by TWA of \$260,000,000 of its securities. Of this \$160,000,000 would be senior debt sold to banks and institutional investors and approximately \$100,000,000 would be junior securities sold through a rights offering to TWA's stockholders, of which Hughes would agree to purchase a sufficient amount (to the extent such securities are not otherwise sold) to provide TWA with net proceeds of \$100,000,000. The junior securities would be either in the form of subordinated debentures convertible

into common stock, subordinated debentures with detachable common stock purchase warrants, or common stock, or a combination thereof. Any debentures would be subordinated to the senior debt and all other borrowings of TWA, with interest payable only if earned, but cumulative. TWA's note in the principal amount of \$5,811,000, due on December 1, 1960, plus interest, held by Hughes, will be applied by Hughes as part payment on its share of the junior securities, as will a portion of the payments that will be payable by TWA to Hughes for jet aircraft, spare parts, equipment and provisioning, as set forth in paragraph 3 hereof. In addition, Hughes will, if needed, advance to TWA on a subordinated basis not to exceed \$50,000,000 to enable TWA to carry out the permanent financing plan and to maintain TWA's net working capital at not less than \$10,000,000 until completion of TWA's acquisition of the jet equipment referred to in paragraph 2 hereof.

7. Pending completion of the definitive financing program, referred to in paragraph 6, which is proposed to be accomplished by June 1, 1960, TWA would borrow approximately \$50,000,000 from banks on a short term basis payable upon completion of the permanent financing, secured by mortgages on certain of the jet aircraft which TWA would acquire from Hughes and the manufacturers. These temporary loans would be guaranteed by Hughes. They would be paid out of the proceeds of the long term financing. In connection with the temporary financing TWA would acquire from Hughes three of the twenty jet aircraft now leased by TWA from Hughes. During this interim period payments to Hughes with respect to jet aircraft, spare parts, equipment and provisioning

would be made by means of subordinated obligations of TWA, payable upon completion of the permanent financing. As a part of this program Hughes will guarantee TWA's 3-3/4% Equipment Mortgage Sinking Fund Bonds, due December 1, 1969, as they may be amended in connection with this temporary financing.

8. This program is subject to any necessary approvals of the holders of obligations issued by TWA under its outstanding indentures, chattel mortgages and loan agreements.

9. TWA believes that the acquisition of the aircraft, spare parts, provisioning and equipment referred to herein are necessary and desirable for use in TWA's domestic and international operations, and that their acquisition on the terms here set forth, the financing program therefor and the proposed transactions with Hughes to carry out these programs are reasonable and in the best interest of TWA.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into transactions with Hughes Tool Company described above.

Respectfully submitted,

Thomas R. Taylor

Vice - President
G. S. Thomas

May 6, 1960

Exhibit A

HUGHES TOOL COMPANY
Gulf Building
Houston 2, Texas

May 9, 1960

Trans World Airlines, Inc.
380 Madison Avenue,
New York 17, N. Y.

Attention: Mr. A. V. Leslie

Re: Purchase of Boeing Model 707-131 and
707-331 Jet Aircraft and Convair
Model 880 Jet Aircraft

Dear Sirs:

If accepted by you this proposal will state our agreement and understanding concerning the conditions under which Trans World Airlines, Inc. (hereinafter called "TWA") may acquire from Hughes Tool Company (hereinafter called "Hughes") Hughes' interest in Boeing Model 707-131 and Boeing Model 707-331 jet aircraft, Convair Model 880 jet aircraft and spare parts, equipment and provisioning therefor.

1. Hughes hereby agrees to sell to TWA and, subject to the provisions of paragraph 9(c) hereof, TWA agrees to purchase from Hughes two Boeing Model 707-131 jet aircraft, Manufacturer's Serial Nos. 17671 and 17672, FAA Nos. N744TW and N745TW respectively, manufactured by Boeing Airplane Company and one Boeing Model 707-331 jet aircraft, Manufacturer's Serial No. 17679, FAA No. N765TW, manufactured by Boeing Airplane Company under Purchase Agreement No. 9 dated March 19, 1956, as amended, between Boeing Airplane Company and Hughes (hereinafter called the "331 Purchase Agreement").

Upon notice from TWA prior to June 30, 1960, Hughes shall transfer good title to such three aircraft to TWA free

and clear of all liens and encumbrances. TWA shall pay to Hughes Hughes' net book value of aircraft FAA Nos. N744TV and N745TV on the date title thereto is transferred from Hughes to TWA. As to aircraft FAA No. N765TV, TWA shall pay Hughes Hughes' undepreciated cost with respect to such aircraft.

As used herein and elsewhere in this agreement Hughes' net book value with respect to any aircraft shall mean the sum of

- (i) The amounts Hughes shall have paid Boeing Airplane Company for such aircraft;
 - (ii) The amounts Hughes shall have paid vendors of customer-furnished equipment thereon;
 - (iii) All other costs of Hughes, including expenses, in connection with such aircraft, and
 - (iv) An amount representing interest on items (i), (ii) and (iii), at a rate per annum to be negotiated between the parties prior to the closing of TWA's long-term financing plan (computed on the average amount of the outstanding payments applicable to such aircraft by considering the payments made as outstanding from the respective dates such payments were made and until delivery of such aircraft to TWA under the respective day-to-day leases of such aircraft from Hughes to TWA);
- such cost to Hughes to be depreciated (a) as to airframes, over a 10-year life with a 10% residual value, (b) as to JT-3 engines, over a 5-year life with a 10% residual value and (c) as to JT-4 engines, over a 7-year life with a 10% residual value.

As used herein and elsewhere in this agreement Hughes' undepreciated cost with respect to any aircraft, equipment, spare parts or provisioning shall mean the sum of

(i) The amounts Hughes shall have paid the vendors with respect thereto (including the amounts paid the vendors of customer-furnished equipment with respect to an aircraft);

(ii) All other costs, including expenses, in connection with the aircraft or other property, and

(iii) An amount representing interest on items (i) and (ii) at a rate per annum to be negotiated between the parties prior to the closing of TWA's long-term financing plan (computed on the average amount of the outstanding payments applicable to such aircraft or other property by considering the payments made as outstanding from the respective dates such payments were made and until the acquisition of such aircraft or property by TWA under this agreement).

2. Hughes hereby assigns to TWA the rights of Hughes to acquire from Boeing Airplane Company 2 Boeing Model 707-331 jet aircraft (Manufacturer's Serial Numbers 17685 and 17690) currently being manufactured by Boeing Airplane Company under the 331 Purchase Agreement. Subject to the provisions of paragraph 9(c) hereof, TWA agrees to purchase from the manufacturer pursuant to the 331 Purchase Agreement each such aircraft when manufactured in accordance with the terms of the 331 Purchase Agreement and tendered for delivery pursuant thereto. In exercising such rights to acquire each aircraft TWA shall pay Boeing Airplane Company the balance of the purchase price of said aircraft and shall agree to pay to the

vendors involved the balance due for customer-furnished equipment installed on such aircraft. In addition, TWA shall pay Hughes Hughes' undepreciated cost with respect to such aircraft.

3. Hughes hereby assigns to TWA the rights of Hughes to acquire from General Dynamics Corporation 20 Convair Model 880 jet aircraft currently being manufactured by General Dynamics Corporation under Purchase Agreement, dated as of September 10, 1956, as amended, between General Dynamics Corporation and Hughes (hereinafter called the "880 Purchase Agreement"). The 20 Convair Model 880 jet aircraft covered by such assignment are more specifically described in Exhibit 1 hereto.

Subject to the provisions of paragraph 9(c) hereof, TWA agrees to purchase from the manufacturer pursuant to the 880 Purchase Agreement each such aircraft when manufactured in accordance with the terms of the 880 Purchase Agreement and tendered for delivery pursuant thereto. In exercising such rights to acquire each aircraft TWA shall pay General Dynamics Corporation the balance of the purchase price of said aircraft and shall agree to pay to the vendors involved the balance due for customer-furnished equipment installed on such aircraft. In addition, TWA shall pay Hughes Hughes' undepreciated cost with respect to such aircraft.

4. Hughes hereby confirms that TWA has the exclusive right and privilege to acquire from Hughes the 13 Boeing Model 707-131 jet aircraft and 4 Boeing Model 707-331 jet aircraft heretofore leased to TWA on a day-to-day basis and not covered by paragraph 1 hereof, said aircraft being more specifically described in Exhibit 2 attached hereto. Subject to the provisions of paragraph 9(c) hereof, Hughes will sell

conditions outlined in paragraph 5 hereof.

5. TWA may purchase the aircraft referred to in paragraph 4 hereof by at least two days' notice to Hughes given on or prior to June 30, 1960 and upon payment to Hughes of Hughes' net book value thereof. Hughes agrees that upon such payment by TWA it will transfer to TWA good title to such aircraft, free and clear of all liens and encumbrances.

6. Hughes hereby confirms that TWA has the exclusive right and privilege to acquire from Hughes Hughes' right to acquire from the manufacturers, or Hughes' interest in, as the case may be, the spare engines for the Boeing 331 and Convair 440 jet aircraft, more specifically described in Exhibit 3, and all other spare parts, equipment and provisioning owned or on order by Hughes for the Boeing or Convair jet aircraft (such engines, spare parts, equipment and provisioning hereinafter referred to as the "Spares").

7. Subject to the provisions of paragraph 9(c) hereof, TWA agrees to purchase the Spares from time to time, from the vendors or Hughes, as the case may be, (a) as to Spares of which title has vested in Hughes upon payment to Hughes of Hughes' undepreciated cost and (b) as to the remainder, upon payment of Hughes' undepreciated cost and TWA's agreement to assume all liabilities and obligations of Hughes to the manufacturers applicable to the Spares acquired by TWA, including the payment of any balance of the purchase price. Upon notice from TWA to Hughes, specifying such Spares, Hughes will transfer to TWA good title, free and clear of all liens and encumbrances, to such Spares that are owned by Hughes and all Hughes' rights as to other Spares specified in such notice.

8. Payments from TWA to Hughes pursuant to this agreement up to a total of \$100,000,000 (less the principal amount of \$5,811,000 on TWA's note, due December 1, 1960,

held by Hughes, plus interest thereon) may be made by means of subordinated debentures of TWA in the form that such subordinated debentures may be offered to all stockholders of TWA in connection with the proposed financing plan of TWA. Pending the issuance of subordinated debentures in connection with such financing plan, payments from TWA to Hughes pursuant to this agreement shall be made by delivery to Hughes of subordinated notes, on which interest is payable only if earned and on which no principal payment will be made so long as any senior debt is outstanding except out of the proceeds of the sale of subordinated obligations issued under the definitive financing program or of the sale of capital stock. The interest rate on such subordinated notes, and on the subordinated obligations issuable by TWA to Hughes pursuant to agreements between TWA and Hughes dated April 1, 1960 and April 14, 1960, respectively, shall be the same as that agreed upon by TWA and the lending banks for the temporary loans to TWA pending completion of the proposed definitive financing program for TWA.

9. Notwithstanding any of the above provisions it is further agreed that:

(a) This agreement is entered into subject to approval of the Civil Aeronautics Board and until an order has been entered by the Civil Aeronautics Board permitting the transaction covered by this agreement no sums shall be payable by TWA to Hughes hereunder.

(b) This agreement is subject to the necessary consents of the holders of obligations issued by TWA under its outstanding indentures, chattel mortgages and loan agreements. TWA will diligently endeavor to secure such consents, but in the absence of such consents no sums shall be payable by TWA to Hughes hereunder.

(c) TWA's obligation to make any payment, deliver any subordinated obligations or assume any liabilities or other obligations with respect to the purchase of any aircraft or other property hereunder is in each case subject to completion of financing arrangements (either temporary or definitive) relating thereto completely satisfactory to TWA.

If the foregoing is acceptable to TWA please so acknowledge by executing and returning the enclosed copy of this letter.

Very truly yours,
HUGHES TOOL COMPANY

By

Accepted this day
of May, 1960

TRANS WORLD AIRLINES, INC.

By

Exhibit 1

Description of Convair 880
Jet Aircraft Assigned to TMAModel 880 Manufacturing
Number Assigned by ConvairMonth in which Delivery
Is Presently Scheduled

10

May

20

"

22

"

24

June

25

"

27

July

28

"

31

"

2

"

32

Aug.

33

"

35

"

3

Sept.

40

"

42

"

14

Oct.

15

"

19

"

6

Nov.

8

"

DX322 id., Item 11c, page 15
(CAB Orders & Documents)

Exhibit 2

DESCRIPTION OF AIRCRAFT

Boeing Model 707-131
Jet Aircraft, FAA No.

N731TW
N732TW
N733TW
N734TW
N735TW
N736TW
N737TW
N738TW
N740TW
N739TW
N741TW
N742TW
N743TW

Date of Lease

January 30, 1959
March 17, 1959
March 30, 1959
April 3, 1959
April 18, 1959
April 29, 1959
May 10, 1959
May 13, 1959
May 24, 1959
May 28, 1959
June 13, 1959
July 1, 1959
July 10, 1959

Boeing Model 707-331
Jet Aircraft, FAA No.

N762TW
N761TW
N763TW
N764TW

Date of Lease

November 6, 1959
November 8, 1959
November 17, 1959
December 27, 1959

Exhibit 3.

Description of Spare Engines
to be Assigned to TWAGeneral Electric Aircraft Engines
Model CJ805 for the Convair 440 Aircraft (1)

30 Model CJ805 aircraft engines being manufactured by General Electric Company under contract with Hughes Tool Company, dated October 1, 1956, said engines to be assigned to TWA in accordance with TWA's needs currently estimated as follows:

May
June
July 1 to 15
July 16 thru 31
August
September
October
November

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
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17
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19
20
21
22
23
24
25
26
27
28
29
30
31

Pratt & Whitney Aircraft Engines
Model JT4A (2)

10 Pratt & Whitney aircraft engines Model JT4A on order by Hughes Tool Company from United Aircraft Corporation under contract dated February 14, 1956 and from Boeing Airplane Company under contract dated January 14, 1959, such engines to be assigned to TWA in accordance with its needs currently estimated to be at the rate of one engine per week commencing May 2, 1960.

(1) TWA has heretofore succeeded to the interest of Hughes Tool Company in 8 CJ805 engines per telegram agreements dated April 25, 1960. The engines herein described are in addition to the first 8 of such engines covered by the April 25 order.

(2) TWA has heretofore succeeded to the interest of Hughes Tool Company in 25 JT4A engines manufactured by United Aircraft Corporation under contract dated February 14, 1956. The engines herein described are in addition to said 25 engines.

322
11d

①

Order No. E-15430

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 23rd day of June, 1960

In the matter of the application of

HUGHES TOOL CO.

for approval under section 408 of
the Federal Aviation Act of 1958,
as amended, of the acquisition of
control of

TRANS WORLD AIRLINES, INC.

Docket 1182

ORDER

By motions filed April 1, 1960, April 14, 1960, and May 6, 1960, Trans World Airlines, Inc. (TWA) requests modification of Order 3213, 1/ as amended and modified by subsequent orders, which restricts commercial transactions between TWA and Hughes Tool Co. (Toolco) and between TWA and any subsidiary or affiliate of Toolco to a maximum of \$200 each and an aggregate annual expenditure in such transactions of \$10,000.

The further modifications are desired to permit TWA to finance its obligations with respect to the acquisition of 25 Boeing 707 and 20 Convair 440 jet aircraft, together with the necessary engines, spares and equipment required to operate these aircraft on TWA's certificated routes. 2/ In addition, TWA desires to acquire Toolco's interests in a flight simulator manufactured by Link Aviation, Inc. for the purpose of training flight crews in the operation of 800 aircraft.

The total cost of these aircraft, engines, spares and equipment is approximately \$260,000,000, which would be raised by (1) the sale of \$260,000,000 of senior securities (bonds), at 5-1/2% interest, to banks and institutional investors, and (2) the sale of \$100,000,000 of junior securities

1/ 6 CAB 153 (Docket 1182).

2/ Twenty of the Boeing aircraft are already on lease to TWA from the owner, Toolco. These leases were approved by Orders E-15542; E-15673; E-15169; E-15504; and E-15077. Under the terms of the instant arrangements, TWA will purchase these aircraft from Toolco. Toolco will assign to TWA its interest and contract rights to the remaining five Boeing aircraft. In addition, Toolco will assign its interest and contract rights to TWA in its Convair aircraft currently on order from the manufacturer.

3043

- 2 -

sold through a rights offering to TWA common stockholders. 1/ In the event that such stockholders do not subscribe to their pro rata share of the offering, Toolco will guarantee a net of \$100,000,000 to TWA. 1/ In addition, Toolco has agreed to lend TWA an additional \$50,000,000 to enable TWA to complete the financing plan and maintain its net working capital at not less than \$10,000,000. Pending completion of these arrangements, TWA will borrow \$50,000,000 from banks on a short term basis, such loan to be guaranteed by Toolco, and repaid from the proceeds of the permanent financing.

TWA believes that the acquisition of the aircraft engines, spares and equipment described above is necessary and desirable to the conduct of its domestic and international operations and that the terms of the financing program and the transactions with Toolco necessary to carry out these programs are reasonable and in TWA's best interest.

The Board has previously approved the control of TWA by Toolco 1/ under section 408 of the Act. It is true that, should the rights offered to TWA stockholders be in the form of common stock and Toolco purchased all the new stock pursuant to its guarantee, Toolco's interest in TWA would increase from the present 78 percent to approximately 90 percent. Although, normally, an increase of 12 percent in stock ownership would be considered substantial and would give rise to a new control relationship under section 408, in view of the overwhelming control of TWA by Toolco by virtue of Toolco's ownership of 78 percent of the stock, the Board concludes that any increase of control is insignificant and does not call for a reexamination of the relationship under section 408.

Upon the basis of the application and the representations contained therein, the Board finds that the acquisition of the 45 aircraft and the proposed financing program, including the possible increased percentage of common stock held by Toolco in TWA, do not appear to violate the intent of the original restrictions imposed on transactions between TWA and Toolco. Accordingly, further modification of Order 3212 is just and reasonable and is in the public interest. It appears, however, that the transactions may otherwise be subject to section 408 in that they may involve TWA's purchase of a substantial part of the properties of Toolco. However, upon the basis of the above circumstances, the Board finds that the enforcement of section 408 would be an undue burden on TWA by reason of unusual circumstances affecting its operations and would not be in the public interest. Therefore, for the reasons expressed above, the Board will exempt TWA from section 408 to the extent that such section might prohibit the transactions without prior Board approval.

1/ The rights offering may be in the form of (1) subordinated debentures convertible into common stock; (2) subordinated debentures with detachable common stock purchase warrants; (3) common stock; or (4) a combination thereof.

✓ 1/ This guarantee might require Toolco to subscribe to 100% of the offering.

1/ 6 CAB 153, 12 CAB 192, Order E-11432 dated June 11, 1957.

DX322 1d., Item 11d, page 3
(CAB Orders & Documents)

- 3 -

ACCORDINGLY, IT IS ORDERED:

1. That the restrictions imposed on transactions between Toolco and TWA by Order 3213, as modified, are further modified to permit TWA to consummate the transactions described in the aforesaid motions;
2. That TWA be and it hereby is exempted pursuant to section 116 from the requirements of section 403 to the extent necessary to enable it to purchase the instant aircraft and equipment from Toolco, a person engaged in a phase of aeronautics;
3. That the decisions of the Board, as expressed in ordering paragraphs 1 and 2, shall not be deemed a determination for rate-making purposes of the reasonableness of any of the transactions specified herein;
4. That the motions, except to the extent granted herein, are denied; and
5. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ Robert C. Lester

Robert C. Lester
Secretary

(221)

(1)

BEFORE THE
CIVIL AERONAUTICS BOARD

Jul 1 4 05 PM '69

----- X

In the matter of the application of :

HUGHES TOOL COMPANY :

for approval of the acquisition of
control of Trans World Airlines, Inc. :

Docket No. 1182

----- X

**MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY**

Communications with respect to this document should be
sent to:

THOMAS K. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 - 16th Street, N.W.
Washington 6, D. C.

and

CHADBOURNE, PARKE, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

July 1, 1960

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the matter of the application of :
HUGHES TOOL COMPANY :
for approval of the acquisition of : Docket No. 1182
control of Trans World Airlines, Inc. :
----- X

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS WITH
HUGHES TOOL COMPANY

1. By motion in this proceeding dated May 6, 1960 TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") advised the Board with respect to definitive financing plans for the TWA jet aircraft program under which it was proposed that TWA would acquire title to 15 Boeing Model 707-131 jet aircraft, 10 Boeing Model 707-331 jet aircraft, 20 Convair Model 880 jet aircraft and the spare parts, equipment and provisioning therefor previously acquired or ordered by Hughes Tool Company (herein referred to as "Hughes"). The proposed transactions between TWA and Hughes relating to such financing program, outlined in such motion of May 6, 1960 and in TWA's motions in this proceeding of March 30, 1960 and April 14, 1960, were approved by Board Order No. E-15430, dated June 23, 1960.

2. It is now proposed that the foregoing program be supplemented so that TWA will acquire title to 2 additional Boeing Model 707-331 aircraft,

making a total of 12 such aircraft that TWA will receive, and so that TWA will also acquire title to 5 additional spare engines for Boeing Model 707-331 aircraft. Such acquisition by TWA would be covered by the amendment to the agreement of May 9, 1960 effected by the agreement attached hereto as Exhibit A. The acquisition of the additional aircraft and engines would be on the same terms and conditions as the transactions set forth in TWA's motions in this proceeding referred to in paragraph 1 hereof and approved by Board Order No. E-15430, dated June 23, 1960. To finance the acquisition of these additional aircraft and engines the senior debt to be sold to banks and institutional investors, referred to in paragraph 6 of TWA's motion of May 6, 1960, would be increased from \$160,000,000 to \$168,800,000.

3. In implementation of the prior agreements between TWA and Hughes referred to in the motion of May 6, 1960 and approved by Order No. E-15430, and as a part of the long-term financing program outlined in such motion, TWA proposes to enter into various agreements with lending banks, insurance companies, indenture trustees and others, including Hughes. Among these agreements are the following:

(a) A proposed agreement (in substantially the form attached hereto as Exhibit B) between TWA, Hughes and the holders of the senior debt referred to in paragraph 6 of TWA's motion dated May 6, 1960, defining in more detail the terms of the subordinated obligations to be issued by TWA to Hughes and Hughes' obligation to advance TWA up to \$50,000,000 on a subordinated basis, if needed, providing for the issuance by TWA of interim subordinated notes in payment of amounts due by TWA to Hughes pending the completion of the public offering of TWA's subordinated

debentures and outlining some of the terms of the public offering.

(b) A proposed Final Accounting and Debenture Purchase Agreement between TWA and Hughes (in substantially the form attached hereto as Exhibit C), which implements the transactions between the two companies outlined in the motion of May 6, 1960, as supplemented by the agreement referred to in paragraph 2 hereof, sets forth the method by which TWA's obligations to Hughes will be settled, and establishes certain of the terms of, and a procedure for determining other terms of, the public offering of TWA's subordinated debentures within the conditions specified in the agreement referred to in paragraph 3(a) hereof.


(c) A proposed Three Party Agreement between Hughes, TWA and Irving Trust Company, as Notes Agent, representing the holders of TWA's senior debt (substantially in the form attached hereto as Exhibit D), providing that in the event of default by TWA under certain covenants in the indenture securing such borrowing, Hughes would subject to a voting trust agreement all shares of the common stock of TWA held by Hughes.

4. Save for the desirable supplementing of TWA's Boeing Model 707-331 jet aircraft fleet by the addition of 2 more aircraft and spare engines described in paragraph 2 hereof, the proposed agreements referred to above do not change the substance of the transactions between TWA and Hughes outlined in TWA's motions of March 30, 1960, April 14, 1960

and May 6, 1960, approved by Order No. E-15430. To the extent that the consummation of the transactions outlined herein requires further approval from the Board in this proceeding, the issuance by the Board of an appropriate order, to enable TWA to conclude its long-term financing program, would be in the public interest.

WHEREFORE, Trans World Airlines, Inc. respectfully prays that the Board enter an order herein modifying its Order Serial No. 3210, as amended, so that its order will permit TWA to enter into such additional transactions with Hughes Tool Company as are described above and to consummate its proposed long-term financing program.

Respectfully submitted,


Senior Vice President-Finance
and Treasurer

July 1, 1960

DX322 id., Item 11(e), page 6
(CAB Orders & Documents)

Exhibit A

HUGHES TOOL COMPANY
GULF BUILDING
HOUSTON 2, TEXAS

June 30, 1960

Trans World Airlines, Inc.
380 Madison Avenue
New York 17, N. Y.

Attention: Mr. A. V. Leslie

Re: Purchase of Boeing Model 707-131 and
707-331 Jet Aircraft and Convair
Model 880 Jet Aircraft

Dear Sirs:

This will confirm our understanding that the agreement between us, dated May 9, 1960, on this same subject, is amended in the following respects:

1. The date "June 30, 1960" in paragraph 5 thereof is changed to "July 31, 1960".
2. The first sentence of paragraph 2 thereof is changed to read as follows:

"Hughes hereby assigns to TWA the rights of Hughes to acquire from Boeing Airplane Company four Boeing Model 707-331 jet aircraft (Manufacturer's Serial Nos. 17685, 17687, 17688 and 17690) manufactured by Boeing Airplane Company under the 331 Purchase Agreement."

3. Exhibit 3 thereof is amended by changing the reference to "10 Pratt & Whitney aircraft engines Model JT4A" to "15 Pratt & Whitney aircraft engines Model JT4A".

Pending the issuance of any order by the Civil Aeronautics Board that may be required with respect to the transactions contemplated hereby no sums shall be payable by TWA to Hughes with respect to the 2 additional Boeing Model 707-331 jet aircraft and the spare engines therefor added to the agreement of May 9, 1960 by this amendment thereof. This amendment will not become effective until any necessary consents have been obtained from the holders of obligations issued by TWA under its outstanding indentures, chattel mortgages and loan agreements.

If the foregoing is acceptable to TWA please so
acknowledge by executing and returning the enclosed copy of
this letter.

Very truly yours,
HUGHES TOOL COMPANY

By

Accepted as of the 30th day
of June 1960
TRANS WORLD AIRLINES, INC.

Exhibit D

67-13—June 30, 1960—N—12-14-30

Ad Press

Agreement

AMONG

HUGHES TOOL COMPANY

AND

TRANS WORLD AIRLINES, INC.

AND

IRVING TRUST COMPANY, as Notes Agent**1960 THREE-PARTY AGREEMENT**

Dated July 1960

AGREEMENT dated July 1, 1960, among HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes"), party of the first part, TRANS WORLD AIRLINES, Inc., a Delaware corporation (hereinafter called "TWA"), party of the second part, and IRVING TRUST COMPANY, a New York trust company (hereinafter called the "Notes Agent"), party of the third part.

WITNESSETH:

WHEREAS Hughes is the owner of not less than 5,221,301 shares of Common Stock, par value \$5 per share, of TWA, comprising approximately 78% of the outstanding 6,674,155 shares of Common Stock of TWA; and

WHEREAS TWA has executed and delivered to Chemical Bank New York Trust Company, as Trustee (hereinafter called the "Trustee"), an Indenture of Mortgage dated as of July 1, 1960 (hereinafter called the "Note Indenture"), which provides for (a) the delivery thereunder of \$74,000,000 principal amount of 6% Equipment Mortgage Serial Notes of TWA, maturing serially on June 30, 1961, and quarterly thereafter through June 30, 1961 (hereinafter called "Serial Notes"), and (b) the issuance thereunder of \$91,800,000 principal amount of 6 1/2% Equipment Mortgage Sinking Fund Notes of TWA, due June 30, 1972 (hereinafter called "Sinking Fund Notes"), all said Serial Notes and Sinking Fund Notes being hereinafter collectively called the "Notes" (which term, as used herein, shall also mean the Serial Notes or the Sinking Fund Notes, as the context or circumstances may require); and

WHEREAS TWA has entered into an agreement dated as of July 1, 1960 (hereinafter called the "July 1960 Loan Agreement"), with Irving Trust Company and the other Banks named therein (hereinafter collectively called the "Banks"), pursuant to which the Banks have agreed to lend an aggregate of \$74,000,000 to TWA, such loans to be evidenced by an equal aggregate principal amount of Serial Notes; and

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WHEREAS TWA has entered into agreements dated July , 1960 (hereinafter called the "Note Purchase Agreements"), with The Equitable Life Assurance Society of the United States and Metropolitan Life Insurance Company (hereinafter together called the "Insurance Companies"), pursuant to which the Insurance Companies have agreed to purchase from TWA an aggregate of \$94,800,000 principal amount of Sinking Fund Notes; and

WHEREAS it is a condition precedent to the obligation of the Banks to advance any monies to TWA pursuant to the July 1960 Loan Agreement, and it is a condition precedent to the obligations of the Insurance Companies to purchase any Sinking Fund Notes from TWA pursuant to the Note Purchase Agreements, that this Agreement shall have been duly executed and delivered by the parties hereto; and

WHEREAS the Notes Agent has been duly authorized by the Banks and the Insurance Companies to enter into this Agreement; and

WHEREAS, for the purposes of this Agreement, (a) the term "a majority of the Noteholders" shall mean the holders of more than 50% in principal amount of all the Notes at the time outstanding (excluding any Notes held by Hughes or by any Hughes Affiliate), (b) the term "TWA Stock" shall mean the Common Stock of TWA, as the same shall be constituted from time to time, and shall also mean and include, in the event TWA shall merge into or be consolidated with another corporation, or shall sell all or any substantial portion of its assets to another corporation in exchange for voting securities of such other corporation, all voting securities of such other corporation which shall be issued or become issuable in respect of the Common Stock of TWA in connection with or as a result of any such merger, consolidation or sale of assets, and (c) the term "Hughes Affiliate" shall mean any person, firm or corporation (except TWA and its subsidiaries) controlling, controlled by or under common control with Hughes Tool Company.

Now, THEREFORE, in consideration of the premises, the parties hereto agree with each other as hereinbelow set forth:

§ 1. In the event that

(a) default shall be made in the performance or observance of any covenant, agreement or condition contained in § 4.16, § 4.17, § 4.21, § 4.22, § 4.24, § 4.26, § 4.30, § 4.31, § 4.32, § 9.1 or § 10.1 of the Note Indenture; or default shall be made in the performance or observance of any covenant, agreement or condition contained in § 4.15 of the Note Indenture and such default shall not be remedied within a period of 30 days after the happening of such default; or any of the Events of Default described in § 11.1H or § 11.1I of the Note Indenture shall have happened; or

(b) TWA shall at any time be in default in the payment of interest on any of the Notes and such default shall not be remedied within a period of 10 days, or TWA shall at any time be in default in the payment of the principal of or premium on any of the Notes when and as the same shall become due and payable, whether at maturity, by declaration, by call for redemption or otherwise;

then, and in any such event, Hughes hereby agrees that it will, within 10 days after the service on it of a request therefor by the Notes Agent, cause to be subjected to a Voting Trust Agreement in the form attached hereto as Schedule A (hereinafter called the "Voting Trust Agreement"), all shares of TWA Stock owned by Hughes at the date hereof and all shares of TWA Stock hereafter acquired by Hughes or by any Hughes Affiliate in any manner (including, without limitation, any acquisition through the exercise of conversion rights contained in any convertible securities of TWA or through the exercise of Warrants or rights to subscribe to TWA Stock or otherwise) prior to the execution and delivery of the Voting Trust Agreement (except any such shares theretofore sold by Hughes or by any Hughes Affiliate on any national securities exchange or in connection with a bona fide public offering with respect to which a registration statement became effective under the Securities Act of 1933, as amended, and not thereafter acquired or reacquired by Hughes or by any Hughes Affiliate). TWA and Hughes hereby agree that they will take all action requisite on their part to cause the Voting Trust Agreement to be executed and delivered by TWA and Hughes, respectively, and by the Voting

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Trustee to be nominated by Hughes as hereinafter provided. The Voting Trustees under the Voting Trust Agreement shall consist of three persons, two to be nominated by the Notes Agent and one to be nominated by Hughes, *provided, however*, that in the event that Hughes shall fail to designate such nominee within the aforesaid period of 10 days after the service on it of such request by the Notes Agent, or in the event such nominee shall fail to execute the Voting Trust Agreement within said 10 day period, the third Voting Trustee shall be a person designated by the two Voting Trustees nominated by the Notes Agent. Any such request by the Notes Agent shall be in writing, shall specify the names of the two Voting Trustees nominated by the Notes Agent, and shall contain a certification that the Notes Agent has been authorized to serve such request and to designate such two Voting Trustees by a majority of the Noteholders, and, concurrently with the service of such request upon Hughes, a copy thereof shall be served upon TWA. In order to subject said shares of TWA Stock to the Voting Trust Agreement, Hughes will transfer and assign or cause to be transferred and assigned said shares to said Voting Trustees and will deposit or cause to be deposited with the Agent of the Voting Trustees named in the Voting Trust Agreement the certificates for said shares, all of which certificates, if not registered in the names of the Voting Trustees, shall be duly endorsed in blank for transfer or accompanied by proper instruments of assignment and transfer thereof duly executed in blank, in either case with signatures guaranteed and with all requisite stock transfer tax stamps thereto affixed. Hughes further agrees that if, at any time or from time to time after the execution and delivery of the Voting Trust Agreement, Hughes or any Hughes Affiliate shall acquire additional shares of TWA Stock in any manner (including, without limitation, any acquisition through the exercise of the conversion rights contained in any convertible securities of TWA or through the exercise of warrants or rights to subscribe to TWA Stock or otherwise), it will forthwith upon the acquisition of any such additional shares cause the same to be subjected to the Voting Trust Agreement in the same manner as hereinabove set forth with respect to the shares of TWA Stock owned

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by Hughes at the time of the execution and delivery of the Voting Trust Agreement. The Voting Trust Agreement shall be dated on or as of such date, not earlier than the date of the aforesaid request therefor by the Notes Agent and not later than the date of execution thereof, as the Notes Agent shall determine, and shall be expressed to terminate on June 30, 1980, or ten years after the date of the Voting Trust Agreement, whichever shall be earlier. TWA and Hughes agree that, in the event that the Voting Trust Agreement would terminate ten years after the date thereof, as contemplated by the foregoing sentence and by clause (a) of Article Thirteen of the form of Voting Trust Agreement attached hereto as Schedule A, they will, at the written request of the Notes Agent, take all action requisite on their part to extend the duration of the Voting Trust Agreement for such additional period (not exceeding, however, the maximum period then permitted by the laws of the State of Delaware) as shall be specified in such request of the Notes Agent.

§ 2. Hughes agrees that as regards such shares of TWA Stock owned by it at the date hereof as are presently pledged, it will concurrently with the execution hereof obtain (a) the consent of such pledgee to the execution and delivery of this Agreement by Hughes and to the performance by Hughes of its undertakings and agreements hereunder, and (b) the agreement of such pledgee to conform to the requirements of the next succeeding sentence of this § 2, with respect to the TWA Stock pledged with such pledgee, subject, however, to the proviso contained in the second next succeeding sentence of this § 2. Hughes further agrees that in the event that it or any Hughes Affiliate shall, subsequent to the date hereof and prior to the execution and delivery of the Voting Trust Agreement, pledge or otherwise transfer, by sale or in any other manner, any shares of TWA Stock at any time owned by Hughes or by such Hughes Affiliate (except any shares sold by Hughes or by such Hughes Affiliate on any national securities exchange or in connection with a bona fide public offering with respect to which a registration statement became effective under the Securities Act of 1933, as amended, and not thereafter acquired or reacquired by

Order No. E-15561

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 21st day of July, 1960

In the matter of application of

HUGHES TOOL COMPANY

for approval under section 408 of the
Federal Aviation Act of 1958, as amended,
of the acquisition of control of
TRANS WORLD AIRLINES, INC.

Product 1189

ORDER

By Order E-15430, issued June 23, 1960, the Board authorized Trans World Airlines, Inc. (TWA) to consummate certain transactions with Hughes Tool Company (Toolco) providing for the acquisition of 45 jet aircraft (25 Boeing 707's and 20 Convair 440's) and related equipment. 1/ TWA's long term financing program for the acquisition of the aircraft was also before the Board for consideration.

By motion filed with the Board July 1, 1960, TWA requests approval of the acquisition of title to two more Boeing 707 aircraft and five additional jet engines from Toolco. To finance this acquisition, TWA's senior debt will be increased from \$160,000,000 to \$168,000,000 by the sale of an additional \$8,000,000 of its securities to banks and institutional investors.

The motion also presents proposed agreements between TWA and Toolco and between TWA, Toolco and the lending institutions which are intended to implement the transactions approved by the Board in the aforementioned Order E-15430. In addition to the terms and conditions previously reported to the Board, the agreements provide for an increase in TWA's senior debt from \$150,000,000 to \$168,000,000 of which \$7h,300,000 will be obtained from banks at 6% interest and \$9h,000,000 will be obtained from the insurance companies at 6.5% interest. 2/ The subordinate or junior debt remains at \$100,000,000 which will be obtained by an offering of debentures bearing income stock purchase warrants to the holders of TWA's common stock. Toolco will make up the difference between the amount subscribed by the other

The authorization granted was in the nature of (1) modification of Order E-15430 of October 17, 1959, which limited the amount of transactions between TWA and Toolco and (2) an exception from section 408, interest rate of 5.5% noted in Order E-15430 applies only to payment

- 2 -

stockholders and \$100,000,000. These debentures will bear an interest rate of 6½%. The revolving credit arrangement with Toolco, the purpose of which is to maintain TWA's net working capital at a minimum of \$10,000,000 remains at \$50,000,000 which, as of the date of purchase of the last jet aircraft in the program, will be converted into a note for the balance then due. Such note shall likewise bear interest at the rate of 6½%.

A voting trust agreement between TWA, Toolco and Irving Trust Company as Notes Agent, for the holders of TWA's senior debt provides that, in the event of default by TWA, Toolco's holdings of TWA's common stock shall be placed in a voting trust which shall be administered by a committee composed of two representatives of the holders of the senior debt and one representative of Toolco.

TWA submits that, except for the addition of the two jet aircraft and five engines, the agreements leading to the conclusion of its long term financing program do not change the substance of transactions approved by the Board in Order E-15430.

The Board finds that the acquisition of two additional jet aircraft and necessary engines and the implementation agreements covering the overall financing of TWA's jet aircraft program do not violate the intent of the original restrictions imposed on transactions between TWA and Toolco in Order 3210; as modified by Order E-15430 issued June 23, 1960. Accordingly, a further modification of that Order is just and reasonable and in the public interest. While the transaction may be subject to section 408 in that it may represent the acquisition by TWA of an additional substantial part of the properties of Toolco, it does not change the substance of the transactions approved by the Board in Order E-15430 which granted an exemption under section 416 from the requirement of section 406 to enable TWA to purchase aircraft and equipment from Toolco, a person engaged in a phase of aeronautics. Under these circumstances, the Board finds that enforcement of section 406 would be an undue burden on TWA by virtue of unusual circumstances affecting its operations and would not be in the public interest. Therefore, the Board exempts TWA from the provisions of section 408 insofar as that section might prohibit the transactions without prior Board approval.

ACCORDINGLY, IT IS ORDERED:

1. That the restrictions imposed on transactions between Toolco and TWA by Order 3210, as modified by Order E-15430 issued June 23, 1960, are further modified herein to permit TWA to consummate the transactions described in the aforesaid motions.
2. That TWA be, and it hereby is exempted pursuant to section 416 from the requirement of section 408 to the extent necessary to enable it to purchase two additional jet aircraft and five engines from Toolco, a person engaged in a phase of aeronautics.

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3. That this order shall not be deemed a determination for rate-making purposes of the reasonableness of any of the transactions specified herein;

4. That this order may be amended or revoked at any time in the discretion of the Board without hearing.

By the Civil Aeronautics Board:

/s/ Robert C. Lester

Robert C. Lester
Secretary

(102)

original

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BEFORE THE
CIVIL AERONAUTICS BOARD

Doc No. 1182

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11g

In the matter of the application of
HUGHES TOOL COMPANY
for approval of the acquisition of
control of Trans World Airlines, Inc.

Docket No. 1182

MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS
IF SUCH APPROVAL IS NECESSARY

Communications with respect to this document should be
sent to:

THOMAS K. TAYLOR
Vice President
Trans World Airlines, Inc.
1000 - 16th Street, N.W.
Washington 6, D. C.

and

CHADBOURNE, PARKS, WHITESIDE & WOLFF
Attorneys for Trans World Airlines, Inc.
25 Broadway
New York 4, N. Y.

December 22, 1960

BEFORE THE
CIVIL AERONAUTICS BOARD

----- X
In the matter of the application of :

HUGHES TOOL COMPANY :

for approval of the acquisition of :
control of Trans World Airlines, Inc. :

Docket No. 1182

----- X
MOTION OF TRANS WORLD AIRLINES, INC.
FOR APPROVAL OF TRANSACTIONS
IF SUCH APPROVAL IS NECESSARY

TRANS WORLD AIRLINES, INC. (herein referred to as "TWA") respectfully requests the Board to enter an order herein amending its Order No. E-15561, issued July 21, 1960, modifying the restrictions imposed on transactions between TWA and HUGHES TOOL COMPANY (herein referred to as "Hughes") if any such amendment is necessary in order to permit the consummation of the proposed financing for TWA, and to grant such other approvals under Sections 408 and 409 of the Act (or exemptions therefrom) as the Board may consider necessary in connection therewith.

1. TWA's motions dated May 6, 1960 and July 1, 1960 outlined proposed temporary and definitive financing arrangements to be entered into by TWA, including the sale of secured obligations to banks and institutional investors, the sale of junior securities to stockholders, the issuance of subordinated obligations to Hughes and other proposed transactions between TWA and Hughes connected with TWA's acquisition of jet equipment.

2. The proposed transactions between TWA and Hughes relating to TWA's acquisition of jet equipment and the financing thereof were approved by Orders of the Board

dated June 23, 1960 and July 21, 1960 (Nos. 15430 and 15561).

3. Pursuant to the agreement dated May 9, 1960 between TWA and Hughes, the form of which was attached as Exhibit A to TWA's motion dated May 6, 1960, providing for the acquisition by TWA from Hughes and from the manufacturers of a fleet of Boeing Model 707-131, Boeing Model 707-331 and Convair Model 880 jet aircraft, spare engines, spare parts, equipment and provisioning therefor (subject to the completion of either temporary or definitive financing arrangements completely satisfactory to TWA), and pursuant to agreements between TWA and Hughes dated April 1, 1960 and April 14, 1960 (covering transactions approved by Order No. E-15430), TWA has acquired 2 Boeing Model 707-131 aircraft, 8 Boeing Model 707-331 aircraft, 1 Convair Model 880 aircraft and spare engines, spare parts, equipment and provisioning for Boeing Model 707-131, Boeing Model 707-331 and Convair Model 880 aircraft. Such acquisitions have been facilitated through temporary debt financing of TWA, guaranteed by Hughes, and the issuance of subordinated obligations by TWA to Hughes, in the manner outlined in TWA's motion of May 6, 1960.

4. The definitive financing outlined in TWA's motions of May 6, 1960 and July 1, 1960 has not yet been accomplished. It is now proposed that such financing be accomplished and that the first closing under this financing be held on December 29, 1960. The terms of this financing and of the transactions between TWA and Hughes relating thereto are to be substantially the same as those set forth in TWA's motions of May 6, 1960 and July 1, 1960, approved by orders of the Board dated June 23, 1960 and July 21, 1960. Among the changes, which it is believed do not affect the substance of the transaction, are the deposit by Hughes

at the time of the first closing under the definitive financing arrangements, of Hughes' TWA stock, in the voting trust (which was previously to be established only under certain conditions) and the granting to Hughes by the purchasers of TWA's secured obligations of options to acquire such obligations from the holders thereof under certain conditions.

Attached hereto are copies of the following proposed agreements reflecting changes in the drafts of documents relating to TWA's long-term financing program submitted to the Board with TWA's motion of July 1, 1960:

(a) An agreement (in substantially the form attached hereto as Exhibit A) between TWA, Hughes and the prospective holders of the senior debt of TWA. This agreement, among other things, reflects a reduction in the total amount of senior debt (Notes) to be issued by TWA from \$168,800,000 to \$165,000,000, and changes in the maturity dates of the Notes, caused by the postponement of the financing and the resulting increased depreciation on the flight equipment to be mortgaged to secure the Notes. This proposed agreement is a revision of the agreement attached as Exhibit B to TWA's motion of July 1, 1960.

(b) A Final Accounting and Debenture Purchase Agreement between TWA and Hughes (in substantially the form attached hereto as Exhibit B). This agreement, among other things, redesignates the particular 20 Convair 680 airplanes to be acquired by TWA, without changing the total number of aircraft to be so acquired. This proposed agreement is a revision of the agreement attached as Exhibit C to TWA's motion of July 1, 1960.

(c) An agreement between TWA, Hughes and the Voting Trustees described therein (substantially in the form attached hereto as Exhibit C), providing for the deposit by Hughes in a voting trust of all shares of common stock of TWA held by Hughes. This agreement is a revision of the Voting Trust Agreement attached as Schedule A to the proposed Three Party Agreement which was Exhibit D to TWA's motion of July 1, 1960, and reflects the present proposal that such a voting trust be created prior to the consummation of the long-term financing.

(d) An Option Agreement between Irving Trust Company, as Bank Agent, The Equitable Life Insurance Society of the United States, Metropolitan Life Insurance Company and Hughes (in substantially the form attached hereto as Exhibit D), pursuant to which Hughes would be given options, under certain conditions, to purchase the Notes to be issued under the financing program from the holders thereof (herein called the "Option Agreement").

5. The proposed agreements referred to above do not change the substance of the transactions between TWA and Hughes outlined in TWA's motions of May 6, 1960 and July 1, 1960, approved by Order No. E-15430. The consummation of this long-term financing program is in the best interests of TWA and the public.

6. While TWA believes no further approval by the Board is necessary to enable it to consummate its proposed financing, it respectfully requests any such approval as the Board deems required.

7. Of the three Voting Trustees under the Voting Trust Agreement referred to in paragraph 4(c) hereof, Raymond M. Holliday has been appointed a Voting Trustee by Hughes. Mr. Holliday is a director of TWA and a director and officer of Hughes. Such relationships and the interlocking relationships resulting from the holding by Mr. Holliday of any other directorships and offices within the system of affiliated and subsidiary companies composed of Hughes and TWA were approved by the Board under Section 409 of the Act by Order No. E-14251, dated July 22, 1959. TWA believes no further approval by the Board is necessary under Section 409 to permit Mr. Holliday to hold the position of one of such Voting Trustees.

The other two Voting Trustees are to be designated by the Notes Agent, as agent for the holders of the Notes to be issued by TWA in connection with the proposed financing.

TWA believes that no Section 409 approval is necessary with respect to the Voting Trustees, since a Voting Trustee is not an officer or director and Section 409 applies only to officers and directors of air carriers.

WHEREFORE, TRANS WORLD AIRLINES, INC. respectfully prays that the Board either (a) enter an order herein amending its Order No. E-15561 and modifying its Order Serial No. 3210, as amended, so that such order will permit the consummation of the proposed financing for TWA, if the Board finds that any such further order is required, and enter an order granting such other approvals under Sections 408 and 409 of the Act (or exemptions therefrom) as the Board considers necessary, or (b) enter an order herein determining that no such further orders are required; and grant it such other and further relief as may be appropriate.

Respectfully submitted,

Thomas K. Taylor
Thomas K. Taylor
Vice President

December 22, 1960

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Exhibit C

Agreement

AMONG

TRANS WORLD AIRLINES, INC.

AND

RAYMOND H. HOLLIDAY,
as VOTING TRUSTEES

AND

HUGHES TOOL COMPANY

Voting Trust Agreement

Relating to Common Stock of
Trans World Airlines, Inc.

FARMERS BANK OF THE STATE OF DELAWARE
AGENT FOR THE VOTING TRUSTEES

Dated as of December 15, 1960

AGREEMENT dated as of December 15, 1960, among TRANS WORLD AIRLINES, Inc., a Delaware corporation (hereinafter called the "Corporation"), party of the first part, and RAYMOND M. HOLLIGAY, and the survivors or survivor of them and their respective successors appointed as in this Agreement provided, as Voting Trustees (hereinafter called the "Voting Trustees"), parties of the second part, and HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes Tool"), party of the third part.

WITNESSETH:

WHEREAS, the Corporation is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware with an authorized capital stock consisting of 15,000,000 shares of Common Stock, par value \$5 per share (hereinafter called "TWA Stock"), of which 6,674,155 shares are presently issued and outstanding; and

WHEREAS, at the date of this Agreement, Hughes Tool is the owner of 5,221,301 shares of TWA Stock, comprising approximately 78% of the outstanding shares of TWA Stock, and no Hughes Affiliate (which term, as used herein, shall mean any person, firm or corporation, except the Corporation and its subsidiaries, controlling, controlled by or under common control with Hughes Tool) owns any TWA Stock; and

WHEREAS, the Corporation has executed and delivered to Chemical Bank New York Trust Company, as Trustee (hereinafter called the "Trustee") an Indenture of Mortgage dated as of December 1, 1960 (hereinafter called the "Note Indenture"), which provides for (a) the delivery thereunder of \$72,200,000 principal amount of 6% Equipment Mortgage Serial Notes of the Corporation, maturing serially on December 31, 1961, and quarterly thereafter through December 31, 1964 (hereinafter called "Serial Notes"), and (b) the issuance thereunder of \$92,800,000 principal amount of 6½% Equipment Mortgage

AGREEMENT dated as of December 15, 1960, among TRANS WORLD AIRLINES, INC., a Delaware corporation (hereinafter called the "Corporation"), party of the first part, and RAYMOND M. HOLLIDAY, and the survivors or survivor of them and their respective successors appointed as in this Agreement provided, as Voting Trustees (hereinafter called the "Voting Trustees"), parties of the second part, and HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes Tool"), party of the third part.

WITNESSETH:

WHEREAS, the Corporation is a corporation duly organized and existing under and by virtue of the laws of the State of Delaware with an authorized capital stock consisting of 15,000,000 shares of Common Stock, par value \$5 per share (hereinafter called "TWA Stock"), of which 6,674,155 shares are presently issued and outstanding; and

WHEREAS, at the date of this Agreement, Hughes Tool is the owner of 5,221,301 shares of TWA Stock, comprising approximately 78% of the outstanding shares of TWA Stock, and no Hughes Affiliate (which term, as used herein, shall mean any person, firm or corporation, except the Corporation and its subsidiaries, controlling, controlled by or under common control with Hughes Tool) owns any TWA Stock; and

WHEREAS, the Corporation has executed and delivered to Chemical Bank New York Trust Company, as Trustee (hereinafter called the "Trustee") an Indenture of Mortgage dated as of December 1, 1960 (hereinafter called the "Note Indenture"), which provides for (a) the delivery thereunder of \$72,200,000 principal amount of 6% Equipment Mortgage Serial Notes of the Corporation, maturing serially on December 31, 1961, and quarterly thereafter through December 31, 1964 (hereinafter called "Serial Notes"), and (b) the issuance thereunder of \$92,800,000 principal amount of 6 1/4% Equipment Mortgage

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Sinking Fund Notes of the Corporation, due December 31, 1972 (hereinafter called "*Sinking Fund Notes*"), all said Serial Notes and Sinking Fund Notes being hereinafter collectively called the "*Notes*"; and

WHEREAS, the Corporation has entered into an agreement dated as of December 1, 1960 (hereinafter called the "*December 1960 Loan Agreement*"), with Irving Trust Company and the other Banks named therein (hereinafter collectively called the "*Banks*"), pursuant to which the Banks have agreed to lend an aggregate of \$72,200,000 to the Corporation, such loans to be evidenced by an equal aggregate principal amount of Serial Notes; and

WHEREAS, the Corporation has entered into agreements dated as of December 1, 1960 (hereinafter called the "*Note Purchase Agreements*"), with The Equitable Life Assurance Society of the United States and Metropolitan Life Insurance Company (hereinafter together called the "*Insurance Companies*"), pursuant to which the Insurance Companies have agreed to purchase from the Corporation an aggregate of \$92,800,000 principal amount of Sinking Fund Notes; and

WHEREAS, it is a condition precedent to the obligation of the Banks to advance any moneys to the Corporation pursuant to the December 1960 Loan Agreement, and it is a condition precedent to the obligations of the Insurance Companies to purchase any Sinking Fund Notes from the Corporation pursuant to the Note Purchase Agreements, that this Agreement shall have been duly executed and delivered by the parties hereto; and

WHEREAS, under and by virtue of the provisions of an agreement dated as of December 1, 1960 (hereinafter called the "*Noteholders' Agreement*"), between Irving Trust Company, as agent for the Banks, the Insurance Companies, and Irving Trust Company, as agent for the holders of Notes (hereinafter called the "*Notes Agent*", which term, as used herein, shall include any successor to such Notes Agent),

the Notes Agent has designated and appointed and
as Voting Trustees under this Agreement; and

WHEREAS Hughes Tool has designated and appointed Raymond
M. Holliday as a Voting Trustee under this Agreement; and

WHEREAS, each of the Voting Trustees under this Agreement is
a citizen of the United States;

Now, THEREFORE, a voting trust in respect of the TWA Stock
is hereby created and established subject to the following terms and
conditions, to all and every one of which the parties hereto expressly
assent and agree:

FIRST: Hughes Tool agrees that concurrently with the execution
and delivery of this Agreement it will transfer and assign, or cause
to be transferred and assigned, to the Voting Trustees 5,221,301 shares
of TWA Stock and will deposit or cause to be deposited hereunder with
the hereinbelow mentioned Agent (hereinafter called the "Agent")
of the Voting Trustees the certificates for such shares, all of which
certificates, if not registered in the name of the Voting Trustees, shall
be duly endorsed in blank for transfer or accompanied by proper in-
struments of assignment and transfer thereof duly executed in blank, in
either case with signatures guaranteed and with all requisite stock trans-
fer tax stamps thereto affixed.

SECONDS: Hughes Tool agrees that if it or any Hughes Affiliate
shall hereafter acquire in any manner (including, without limitation, any
acquisition through the exercise of the conversion rights contained in
any convertible securities of the Corporation or through the exercise of
warrants or rights to subscribe to TWA Stock or in connection with
any merger, consolidation or sale of assets of the Corporation or other-
wise) any shares of TWA Stock, in addition to those hereinabove men-
tioned, it will transfer and assign, or cause to be transferred and
assigned, to the Voting Trustees such additional shares and will deposit
or cause to be deposited hereunder with the Agent the certificates for
such additional shares, which certificates, if not registered in the name
of the Voting Trustees, shall be duly endorsed in blank for transfer or

accompanied by proper instruments of assignment and transfer thereof duly executed in blank, in either case with signatures guaranteed and with all requisite stock transfer tax stamps thereto affixed. The term "TWA Stock", as used in this Article Second, shall mean the Common Stock of the Corporation, as the same shall be constituted from time to time, and shall also mean and include, in the event the Corporation shall merge into or be consolidated with another corporation, or shall sell all or any substantial portion of its assets to another corporation, all voting securities of such other corporation.

THIRD: The Voting Trustees shall from time to time issue in respect to the TWA Stock so deposited hereunder with the Agent a Voting Trust Certificate or Voting Trust Certificates for a like number of shares of such TWA Stock, in substantially the following form and registered in the name of Hughes Tool or in such name as shall be specified in writing by Hughes Tool:

No.

..... Shares

TRANS WORLD AIRLINES, INC.

Voting Trust Certificate For Common Stock

THIS IS TO CERTIFY THAT

will, upon the termination of the Voting Trust Agreement hereinafter mentioned and subject to the provisions thereof, upon surrender hereof and upon payment of any stamp tax or other charge in connection with the delivery, be entitled to receive a certificate or certificates, expressed to be fully paid, for _____ shares of Common Stock, par value \$5 per share, of Trans World Airlines, Inc., a Delaware corporation (hereinafter called "the Corporation"), heretofore deposited under said Agreement, and is in the meantime entitled to receive payments equal to the cash dividends, if any, collected by or for the account of the Voting Trustees hereinafter named, or their successors, upon a like number of shares, and to receive Voting Trust Certificates (or scrip therefor) in respect of any dividends payable in Common Stock of the Corporation so collected.

This certificate is issued under and the rights represented hereby are subject to, and each successive holder hereof by ac-

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cepting the same consents and agrees to be bound by, all the terms and conditions of a certain Voting Trust Agreement dated as of December 15, 1960 (hereinafter called the "Voting Trust Agreement"), by and between the Corporation, party of the first part, Raymond M. Holliday,

and the survivors or survivor of them and their respective successors appointed as in the Voting Trust Agreement provided, as Voting Trustees, parties of the second part, and Hughes Tool Company, a Delaware corporation, holder of certain shares of Common Stock of the Corporation, party of the third part. An original counterpart of the Voting Trust Agreement is on file at the principal office of the Corporation in the State of Delaware, and is open to the inspection of any holder of stock of the Corporation or of any Voting Trust Certificate daily during business hours.

No voting right passes by or under this certificate or by or under any agreement expressed or implied, it being expressly understood and agreed that, until the actual delivery of a stock certificate or certificates to the registered owner hereof or his assigns, the Voting Trustees at any time acting under the Voting Trust Agreement shall possess and be entitled in their discretion to exercise in respect of any and all shares of stock called for by this certificate, all rights and powers of every name and nature, including the right to vote thereon and to take or omit to take any other action in respect thereof.

The Voting Trust Agreement will remain in effect until December 15, 1970, unless previously terminated or unless the duration of the Voting Trust Agreement is extended as provided therein.

No stock certificate shall be deliverable in respect hereof until December 15, 1970, or until such earlier or later termination of the Voting Trust Agreement, except as otherwise provided in the Voting Trust Agreement in certain specific cases. Any such delivery shall in any event be subject to the provisions of the Voting Trust Agreement.

This certificate is transferable only on the books of the Voting Trustees at the office of their Agent in the City of Wilmington, Delaware, by the registered owner in person or by attorney duly authorized and upon surrender hereof properly endorsed and payment of any taxes imposed by law on such transfer, and otherwise as provided in the Voting Trust Agreement.

Title to this certificate, when duly endorsed, shall to the extent permitted by law be transferable with the same effect as in the case of a negotiable instrument. The Voting Trustees and their Agent may nevertheless deem and treat the registered holder hereof (or, when presented duly endorsed in blank, the bearer hereof) as the absolute owner hereof for all purposes whatsoever, and neither the Voting Trustees nor their Agent shall be affected by any notice to the contrary.

This certificate is not valid for any purpose until signed by the Agent of the Voting Trustees.

IN WITNESS WHEREOF, the Voting Trustees have caused this certificate to be signed by their duly authorized Agent.

Dated

RAYMOND M. HOLLIDAY

Voting Trustees.

By FARMERS BANK OF THE STATE OF
DELAWARE,

Agent

By

Such certificates shall have a form of assignment on the back thereof in substantially the following form:

For VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto the within certificate and all right, title and interest represented thereby, and irrevocably constitutes and appoints attorney to transfer the same on the books of the Voting Trustees with full power of substitution in the premises.

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The Voting Trustees may make such changes in the form of such certificates and may add or append such legends or endorsements thereon as may be required by the rules of any stock exchange on which application may be made to list such certificates or to conform to any usage.

FOURTH: As hereinafter in Article Eighth contemplated, the Voting Trustees may also issue scrip representing fractional interests in respect of Voting Trust Certificates, which scrip shall be in bearer form and transferable by delivery and unless otherwise expressly stated shall have only the rights (1) of exchange for full Voting Trust Certificates and (2) to participate, upon the termination of this Agreement, proportionately in the stock or avails thereof held for the benefit of such scrip. Such scrip shall be of such tenor and form, not inconsistent with the provisions hereof, as the Voting Trustees may approve.

FIFTH: The Voting Trust Certificates shall be printed and shall be signed in the name of the Voting Trustees by their Agent appointed for the purpose, and shall be transferable only on the books of the Voting Trustees at the Office of their Agent in the City of Wilmington, Delaware, as provided in the Voting Trust Certificates and in accordance with the rules from time to time established for that purpose by the Voting Trustees.

The transfer books may be closed by the Voting Trustees for a reasonable time prior to the payment or distribution of any dividend, as well as at any other time or for any other purpose when deemed by the Voting Trustees to be desirable. In lieu of the closing of the books against transfers of Voting Trust Certificates as aforesaid, the Voting Trustees may, if they deem it advisable, fix a date as a record date for the determination of the Voting Trust Certificate holders entitled to receive such dividends; and the owners of Voting Trust Certificates of record on such date shall exclusively be entitled to participate in the distribution of such dividends.

SIXTH: In case any Voting Trust Certificate shall become mutilated or become lost, destroyed or stolen, the Voting Trustees may, in their

uncontrolled discretion, issue and deliver in exchange therefor and upon cancellation of the mutilated Voting Trust Certificate, or in lieu of the lost, destroyed or stolen Voting Trust Certificate, a new Voting Trust Certificate representing the same number of shares of stock, upon the production of evidence of such loss, destruction or theft, satisfactory to the Voting Trustees, and upon receipt of indemnity satisfactory to them, and upon compliance also with such other reasonable regulations as they may prescribe.

SEVENTH: The certificates for TWA Stock deposited with the Agent of the Voting Trustees shall, if not registered in the name of the Voting Trustees, be surrendered and cancelled and new certificates therefor issued to the Voting Trustees. In all certificates issued in the name of the Voting Trustees it shall appear that they are issued pursuant to this Agreement, and in the entry of such ownership in the books of the Corporation that fact shall also be noted.

Such TWA Stock shall be held, used and applied by the Voting Trustees and their successors in office for the purposes of and in accordance with this Agreement.

The Voting Trustees may cause any TWA Stock at any time held by them under this Agreement to be transferred to any name or names other than the name of the Voting Trustees herein named, if such transfer becomes necessary by reason of any change in the persons holding the office of Voting Trustees as hereinafter provided or by reason of any statutory requirement relative to directors' qualifying shares.

EIGHTH: Until the delivery as hereinafter provided of stock certificates or the avails thereof in exchange for Voting Trust Certificates, either upon the termination of this Agreement or pursuant to Article Seventeenth or Article Eighteenth, each registered owner of a Voting Trust Certificate shall be entitled from time to time to receive payments equal to cash dividends, if any, collected by or for the account of the Voting Trustees upon the number of shares of TWA Stock called for by such Voting Trust Certificate, and to receive Voting Trust Certificates (or scrip therefor) in respect of any dividends payable in TWA Stock so collected.

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Any dividends received by the Voting Trustees other than cash dividends or dividends payable in TWA Stock shall as soon as conveniently possible be transferred to and distributed among the registered owners of Voting Trust Certificates in accordance with their respective interests therein, all at such time and in such manner as the Voting Trustees shall determine is appropriate.

In case the holders of TWA Stock shall be offered the right to subscribe for or purchase any shares of capital stock of the Corporation, the Voting Trustees shall promptly notify the registered owners of Voting Trust Certificates of the terms of such offer. Upon receipt from a registered owner of any Voting Trust Certificate, within the period fixed by the Voting Trustees for such purpose, of a request to subscribe for or purchase shares of such capital stock pursuant to such offer (in an amount not in excess of the ratable amount which might be subscribed for or purchased by a holder of the number of shares of TWA Stock represented by such Voting Trust Certificate), accompanied by funds sufficient to pay the subscription or purchase price thereof, the Voting Trustees will make such subscription or purchase and will pay the subscription or purchase price to the Corporation or other person making such offer for the account of the registered owner of such Voting Trust Certificate, and (a) in the event TWA Stock has been subscribed for or purchased, will issue an additional Voting Trust Certificate (or scrip therefor) in respect of such TWA Stock to the registered owner of such Voting Trust Certificate, upon receipt by the Voting Trustees of such TWA Stock from the Corporation or other person making such offer, or (b) in the event capital stock of the Corporation (other than TWA Stock) has been subscribed for or purchased, will deliver the certificate or certificates for such capital stock to the registered owner of such Voting Trust Certificate, upon receipt by the Voting Trustees of such certificate or certificates from the Corporation or other person making such offer.

In case the holders of TWA Stock shall be offered the right to subscribe for or purchase any other securities of the Corporation (other than shares of capital stock of the Corporation), the Voting Trustees, in their discretion, may either (a) follow the procedure set forth in the

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immediately preceding paragraph with respect to rights to subscribe for or purchase shares of capital stock of the Corporation (other than TWA Stock) with respect to the rights to subscribe for or purchase such other securities of the Corporation, or (b) by agreement with the Corporation or other person making such offer, waive their right to receive such subscription or purchase rights in respect of the shares of TWA Stock held by the Voting Trustees, on condition that the Corporation or other person making such offer make such offer directly to the registered owners of the Voting Trust Certificates, at the same time and on the same terms that such offer is made to holders of TWA Stock.

The Voting Trustees shall not be required to make any such subscriptions or purchases on behalf of registered owners of Voting Trust Certificates (or to issue any Voting Trust Certificates in respect of the TWA Stock which shall be the subject of any such subscription or purchase offer) unless provided by such owners with funds sufficient to pay (in addition to the subscription or purchase price thereof, as aforesaid) any taxes or other expenses which may be incurred by the Voting Trustees in connection therewith. The Voting Trustees shall not be required in any event to make any such subscription or purchase in respect of deposited shares of TWA Stock represented by scrip. The Voting Trustees shall have full power and discretion to prescribe and regulate any and all details in connection with any such subscription or purchase rights and the exercise thereof including, without limitation, the power to issue subscription warrants covering such subscription or purchase rights to the registered owners of Voting Trust Certificates and to determine the terms and conditions under which such warrants may be assigned and transferred.

NINTH: The Voting Trustees may adopt their own rules of procedure. The action of a majority of the Voting Trustees for the time being in office taken at a meeting, or taken without a meeting by a writing signed by such a majority, shall, except as otherwise herein specifically provided, constitute the action of the Voting Trustees and have the same effect as though taken by all the Voting Trustees. Any

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Voting Trustee may vote or may act in person or by his proxy given to any other Voting Trustee or Voting Trustees or to any other person or persons. Any Voting Trustee may act as a director or officer of the Corporation and may vote for himself as such, and he or any firm of which he is a member or any corporation of which he may be a stockholder, director, officer, agent or employee may purchase, sell, own, hold or deal in Voting Trust Certificates, and may contract with the Corporation or be or become pecuniarily interested in any manner or transaction to which the Corporation or any affiliated company may be a party or in which the Corporation may in any way be concerned, as fully and freely as though he were not a Voting Trustee.

TRUST: The Voting Trustees assume no liability as stockholders, their interest hereunder being that of trustees merely. In voting the TWA Stock represented by the stock certificates held by them hereunder (which they may do either in person or by proxy to any one or more of them or to any other person or persons or to his or their substitute or substitutes), the Voting Trustees will exercise their best judgment to secure the election of suitable directors of the Corporation, to the end that its business and affairs shall be properly managed, and the Voting Trustees will likewise vote and act in other matters in accordance with their best judgment; but they assume no responsibility in respect of such management or in respect of any action taken by them or taken in pursuance of their vote so cast, and no Voting Trustee shall incur any responsibility as trustee or otherwise by reason of any error in law, mistake of judgment, or of any matter or thing done or suffered or omitted to be done under this Agreement except for his own individual malfeasance.

The Voting Trustees assume no responsibility with respect to the validity or genuineness of any of the stock certificates (or other securities received in lieu thereof) deposited with them hereunder or of any notice, request, assignment, power of attorney, acknowledgment or other paper or document, and they shall be entitled to assume that any such stock certificates (or other securities) so deposited with them and any such other paper or document are genuine.

and valid and what they purport to be and have been signed by the proper parties or party and that any endorsements and assignments thereof are genuine and legal; and in making delivery of stock certificates (or other securities or cash received in lieu thereof), upon the surrender of Voting Trust Certificates representing the same, the Voting Trustees shall be entitled to deliver any stock certificates (or other securities received in lieu thereof) purporting and believed by the Voting Trustees to be genuine and legal.

The Voting Trustees may retain counsel to advise and represent them in any and all matters arising under this Agreement and may employ and fix the compensation of accountants and other agents who may do or perform any acts in behalf of the Voting Trustees within the scope of their respective agencies which the Voting Trustees are authorized hereunder to do or perform, and the reasonable charges of such counsel and other disbursements and expenses made or incurred by the Voting Trustees in the administration of their trust hereunder, including all taxes or other governmental charges imposed upon the Voting Trustees in connection with the transfer or issuance of any stock or Voting Trust Certificates or subscription warrants or in respect of the ownership of the TWA Stock (or other securities received in lieu thereof) held by them as trustees or in respect of any dividends, distributions or other rights in respect of such TWA Stock (or other securities) and the expenses of printing the Voting Trust Certificates (and scrip therefor) shall be borne and promptly paid by the Corporation, and the Corporation hereby agrees to pay or advance the same forthwith from time to time upon the demand of the Voting Trustees. The Voting Trustees may pay any taxes which they shall lawfully be required to pay out of any funds in their hands or of any dividends or distributions and shall have a lien with interest for any sums so paid upon the respective shares of TWA Stock (or other securities) or dividends or distributions held by the Voting Trustees upon which any such tax may be applicable.

The Voting Trustees shall be entitled to receive and Hughes Tool will pay reasonable compensation for their services hereunder, in such amount as may be agreed upon from time to time between the Voting

Trustees and Hughes Tool. In the event that the Voting Trustees or any of them and Hughes Tool are unable to agree upon the compensation to be paid by Hughes Tool for such services, the controversy shall be settled by arbitration in accordance with the Rules of the American Arbitration Association. All expenses of such arbitration, including, without limitation, the fees and expenses of counsel for the Voting Trustees and all other expenses incurred by the Voting Trustees in connection with such arbitration, shall be borne and promptly paid by Hughes Tool.

Without in any wise limiting the generality of the foregoing, the Corporation and Hughes Tool agree, jointly and severally, to indemnify each of the Voting Trustees against, and hold each of them harmless from, any and all claims, damages or liabilities, joint or several, to which he may become subject, and to reimburse each of the Voting Trustees for any legal or other expenses incurred by him in connection with any actions, suits or proceedings to which he may be made a party or in which he may be otherwise involved (including, without limitation, any proceeding instituted by or before any Federal or State governmental or regulatory authority), in so far as such claims, damages or liabilities or such actions, suits or proceedings arise out of or are based upon the administration by the Voting Trustees of their trust under this Agreement or the exercise of any powers or the performance of any duties by the Voting Trustees as herein provided or contemplated, or otherwise arise by reason of his being or having been a Voting Trustee hereunder, except that no Voting Trustee shall be entitled to any such indemnification or reimbursement in relation to matters as to which he shall be finally adjudged in any such action, suit or proceeding to be liable by reason of his own individual malfeasance.

ELEVENTH: Until the delivery as hereinafter provided of stock certificates or the avails thereof in exchange for Voting Trust Certificates, either upon the termination of this Agreement or pursuant to Article Seventeenth or Article Eighteenth, the Voting Trustees shall possess and shall be entitled in their discretion, not subject to any review, to exercise in person or by their proxy, in respect of any and all shares of TWA Stock at the time on deposit under this Agreement all rights

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and powers of every name and nature, including the right to vote thereon or to consent to any and every act of the Corporation.

Without in anywise limiting the generality of the foregoing, the Voting Trustees are specifically authorized in the exercise of their sole and absolute discretion in respect of any and all TWA Stock at any time deposited under this Agreement to vote for or consent to: the election of directors of the Corporation, the removal of directors of the Corporation, any increase, reduction or reclassification of the capital stock of, or any reduction of the capital of, the Corporation, any changes or amendments in or to the Agreement and Act of Consolidation of the Corporation constituting its Certificate of Incorporation, the sale or disposal in any manner of all or any part or parts of the property, assets or business of the Corporation, any consolidation or merger of the Corporation with or into any other corporation, any merger of any other corporation into the Corporation, and any reorganization of the Corporation, and any action with respect to any of the foregoing which any stockholder might lawfully take, and upon any such increase, reduction or reclassification of stock, reduction of capital or merger, consolidation or reorganization becoming effective, to make such surrender of TWA Stock deposited under this Agreement as may be proper or expedient and to receive and hold under this Agreement in lieu thereof any and all stock issued in exchange for such surrendered TWA Stock, and thereafter, in the discretion of the Voting Trustees, they may receive and appropriately issue Voting Trust Certificates against other stock issued pursuant to any such corporate change. For all purposes of this Agreement any such stock so received by the Voting Trustees in exchange for TWA Stock so surrendered shall take the place of the TWA Stock so surrendered by them.

TWELFTH: Any Voting Trustee may at any time resign by filing at the principal office of the Corporation in the State of Delaware his resignation in writing and concurrently notifying the Corporation, the Agent, the other Voting Trustees and the Notes Agent in writing of such filing of such resignation, and such resignation shall be effective 10 days after the date of such filing of such resignation without any acceptance thereof.

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Raymond M. Holliday or any successor to Raymond M. Holliday (and such successor's successor and so on in line of succession) may be removed by the registered owners of a majority in interest of the Voting Trust Certificates at the time outstanding by an instrument or concurrent instruments signed by such owners or their duly authorized attorneys-in-fact and filed at said principal office of the Corporation, or to or any successor (and such successor's successor and so on in line of succession) may be removed by the Notes Agent by an instrument signed by or on behalf of the Notes Agent and filed at said principal office of the Corporation.

In the event of the resignation, removal, death, loss of United States citizenship or other inability to act of any Voting Trustee a vacancy shall be deemed to exist in his office and such vacancy may be filled at any time by the appointment of a successor in the manner hereinafter provided. Any such successor to any Voting Trustee shall, at the time of his appointment, be a citizen of the United States.

Any successor to Raymond M. Holliday (and such successor's successor and so on in line of succession) as Voting Trustee shall be appointed by the registered owners of a majority in interest of the Voting Trust Certificates at the time outstanding by an instrument or concurrent instruments signed by such owners or their duly authorized attorneys-in-fact and filed at said principal office of the Corporation.

Any successor to or (and such successor's successor and so on in line of succession) as Voting Trustee shall be appointed by the Notes Agent by an instrument signed by or on behalf of the Notes Agent and filed at said principal office of the Corporation, provided, however, that if any vacancy in the office of either of such Voting Trustees shall have continued for more than 10 days, then or or any successor to or theretofore appointed by the Notes Agent (and such successor's successor and so on in line of succession) may appoint a successor Voting Trustee to fill such vacancy.

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Concurrently with the filing at said principal office of the Corporation of any such instrument of removal of any Voting Trustee or any such instrument appointing a Voting Trustee, the person filing the same shall notify the Corporation, the Agent, the Voting Trustees (or the other Voting Trustees, as the case may be) and the Notes Agent in writing of such fact and, as promptly as possible after such filing, the Corporation shall mail written notice thereof to the Agent, to the Voting Trustees (or the other Voting Trustees, as the case may be) and to the Notes Agent.

If any vacancy in the office of a Voting Trustee shall have continued for more than 10 days the remaining Voting Trustee or Voting Trustees may exercise all the rights, powers and privileges of the Voting Trustees hereunder until such vacancy or vacancies shall have been filled by the appointment of a successor Voting Trustee or successor Voting Trustees in the manner hereinabove provided.

Any successor Voting Trustee appointed as herein provided shall indicate his acceptance of such appointment by signing a counterpart of this Agreement on file at said principal office of the Corporation and thereupon such successor shall be vested with all the rights, powers, duties and immunities herein conferred upon the Voting Trustees as though such successor had been originally a party to this Agreement as a Voting Trustee. The term "Voting Trustees" as used in this Agreement and in the Voting Trust Certificates issued hereunder shall apply to and mean the parties of the second part hereto, the survivors or survivor of them and their respective successors.

THIRTEENTH: This Agreement shall terminate on the earliest of the following dates, namely: (a) December 15, 1970 (being less than ten years from the date of execution and delivery of this Agreement), unless the duration of this Agreement shall be extended as provided in Article Eighteenth hereof, or (b) the date on which the Trustees under the Note Indenture shall execute an instrument acknowledging satisfaction of and discharging the same, or (c) the date on which there shall be delivered to the Corporation an instrument signed by or on behalf of the Notes Agent terminating this Agreement.

FOURTEENTH: Upon the termination of this Agreement the Voting Trustees in exchange for and upon surrender of any Voting Trust Certificate then outstanding shall, in accordance with the terms hereof and upon payment, if the Voting Trustees shall so require, of a sum sufficient to reimburse them for any tax or other governmental charge in connection with such delivery, deliver certificates for TWA Stock in the amount called for by such Voting Trust Certificate, and the Voting Trustees may require the holder of such Voting Trust Certificate to surrender the same for such exchange. Nothing in this Article Fourteenth or elsewhere in this Agreement contained shall, however, be construed to deprive the Voting Trustees, or their nominee or nominees, of the right as record holder or holders of the deposited shares to vote the same and to execute consents with respect thereto, notwithstanding the termination of this Agreement, so long as they shall continue to be the record holders thereof.

After any termination of this Agreement as above provided, the Voting Trustees may in their discretion deposit any stock or other property then held hereunder with the Agent with authority and instructions to make delivery thereof in exchange for outstanding Voting Trust Certificates as provided in this Article Fourteenth, and thereupon all further obligations or duties of the Voting Trustees under this Agreement or any provision thereof shall cease.

The Voting Trustees shall give the owners of the Voting Trust Certificates notice of any termination of this Agreement prior to the date stated in clause (a) of Article Thirteenth hereof.

FIFTEENTH: All notices to be given to the owners of Voting Trust Certificates shall be given by mailing the same to the registered owners of Voting Trust Certificates addressed to their respective addresses as shown on the books of the Voting Trustees, and any notice whatsoever when mailed by or on behalf of the Voting Trustees to such registered owners of Voting Trust Certificates as herein provided shall have the same effect as though personally served on all holders of Voting Trust Certificates.

SIXTEENTH: Farmers Bank of the State of Delaware is hereby appointed the Agent of the Voting Trustees to receive certificates repre-

senting shares of TWA Stock and to sign and issue Voting Trust Certificates in the name and as Agent of the Voting Trustees and to transfer Voting Trust Certificates. The Agent now or hereafter appointed by the Voting Trustees may resign upon 30 days' written notice to the Voting Trustees or on such shorter notice as the Voting Trustees may accept. The Voting Trustees shall have the power to remove any Agent and in case of the resignation or removal of any Agent or in case any Agent shall in any way become disqualified from acting, a successor Agent having an office in the City of Wilmington, Delaware, may be appointed by the Voting Trustees and they shall cause notice of such appointment to be given to the Corporation and to the registered owners of Voting Trust Certificates. Upon the resignation, removal or disqualification of any Agent, the Agent shall, upon payment of its proper charges, deliver the custody of the stock certificates held hereunder as well as all other property held hereunder to the successor Agent or otherwise as the Voting Trustees shall direct and the successor Agent shall have and possess all the rights and immunities of the Agent originally named herein.

The Voting Trustees and the Agent shall be fully protected in acting in the discharge of any of their or its duties hereunder upon any instrument, document or paper believed by them or it to be genuine and to have been executed by the proper parties and the Agent shall be fully protected in issuing any Voting Trust Certificates hereunder, or in taking or in refraining from taking any action hereunder in reliance upon any direction or statement, purporting to be signed by the Voting Trustees or their authorized proxies, as to the existence or nonexistence of any fact or the performance or nonperformance of any act and may accept as conclusive any such statement.

The Agent shall not incur any liability to anyone by reason of anything done or permitted or omitted to be done by it at the request or direction of the Voting Trustees, or because of any disposition which it shall make at the request or direction of the Voting Trustees of any stock certificate or other document or paper or funds or property deposited with it pursuant to any of the provisions hereof, or for any

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action which it may take or refrain from taking in respect thereof upon like request or direction, it being the intent and purpose of this Agreement that such stock certificates, documents, papers, funds and property shall be wholly at the order of and under the control of the Voting Trustees; and no Agent of the Voting Trustees shall incur any liability whatsoever except for its own individual malfeasance in the discharge of its duties as specified in this Article Sixteenth, nor shall it be liable for negligence of its agents, officers or employees, if chosen and retained with due care. The Agent shall be entitled to reasonable compensation for its services hereunder and to be reimbursed for all expenses incurred by it hereunder, and all such reasonable compensation and expenses shall be deemed to be expenses of the Voting Trustees required to be borne and promptly paid by the Corporation as provided in Article Tenth hereof.

SEVENTEENTH: On the terms and subject to the conditions specified in this Article Seventeenth, holders of Voting Trust Certificates complying therewith shall be entitled, prior to the termination of this Agreement, to surrender such Voting Trust Certificates to the Voting Trustees and to obtain in exchange therefor certificates for the shares of TWA Stock represented by the Voting Trust Certificates so surrendered.

The limited right created by this Article Seventeenth to withdraw TWA Stock from deposit under this Agreement shall be subject to the conditions precedent that each holder of a Voting Trust Certificate desiring to avail himself of such right shall establish by evidence satisfactory to the Voting Trustees that

(A) such holder (1) is Hughes Tool or a Hughes Affiliate, and (2) has sold or has entered into a firm contract to sell the shares of TWA Stock represented by such Voting Trust Certificate in a bona fide public offering (as that term is hereinafter defined), or

(B) such holder (1) is a pledgee, who holds such Voting Trust Certificate under a bona fide pledge thereof to secure a loan

or other obligation incurred by Hughes Tool or a Hughes Affiliate as to which such pledgor is presently in default, (2) has elected to foreclose such pledge in accordance with its terms, and (3) pursuant to such foreclosure has sold or has entered into a firm contract to sell the shares of TWA Stock represented by such Voting Trust Certificate in a bona fide public offering (as that term is hereinafter defined).

Upon compliance to the satisfaction of the Voting Trustees with the conditions specified in the preceding paragraph with respect to any Voting Trust Certificate, the Voting Trustees shall deliver a certificate or certificates for the shares of TWA Stock represented by such Voting Trust Certificate in exchange for and upon surrender of such Voting Trust Certificate, provided, however, that if the TWA Stock represented by such Voting Trust Certificate shall have been the subject of a firm contract of sale, the Voting Trustees shall not be required to deliver a certificate or certificates for such shares of TWA Stock until the Voting Trustees receive satisfactory evidence that such contract of sale has been or is to be consummated in accordance with its terms. Any such exchange shall be effected in the manner provided in Article Fourteenth as if this Agreement had been terminated.

Whenever reference is made in this Article Seventeenth to TWA Stock "represented by" a Voting Trust Certificate, such reference shall mean the number of shares of TWA Stock expressed in such Voting Trust Certificate to be deliverable in respect of such Voting Trust Certificate upon the termination of this Agreement.

The term "bona fide public offering", as used in this Article Seventeenth with respect to any sale of shares of TWA Stock, shall mean (a) a bona fide sale of such shares "regular way" (but not pursuant to crossed orders or pursuant to any special offering) on any national securities exchange, whether or not pursuant to a registration statement which shall have become effective under the Securities Act of 1933, as amended, or (b) a bona fide public offering of such shares by or through securities dealers made pursuant to a registration state-

ment which shall have become effective under the Securities Act of 1933, as amended, unless (in the case of any sale otherwise than by or on behalf of Hughes Tool or any Hughes Affiliate) the Voting Trustees shall have received an opinion of counsel satisfactory to the Voting Trustees that such public offering does not require the registration of such shares under the Securities Act of 1933, as amended. The term "public offering" shall not include any sale by auction or at broker's board, or any other sale at which the shares being offered might be purchased by a single purchaser or by a group of purchasers acting in concert.

EIGHTEENTH: This Agreement shall not be terminated except as provided in Article Thirteenth hereof, nor shall the duration of this Agreement be extended or this Agreement amended or modified in any other respect except by an instrument or concurrent instruments in writing signed by or on behalf of the Notes Agent, by the Corporation, by all the Voting Trustees and by the registered owners of a majority in interest of the Voting Trust Certificates at the time outstanding or their duly authorized attorneys-in-fact and filed at the principal office of the Corporation in the State of Delaware, provided, however, that in the case of any extension of the duration of this Agreement, (1) the instruments effecting such extension shall be signed and filed as aforesaid only during the 12-month period immediately preceding the termination date specified in clause (a) of Article Thirteenth, (2) no such extension shall extend the duration of this Agreement beyond the maximum period then permitted by the laws of the State of Delaware, and (3) no such extension shall affect the rights or obligations of any holder of Voting Trust Certificates who shall not consent to such extension.

In the event that the duration of this Agreement shall be extended pursuant to this Article, the Voting Trustees shall forthwith give notice of such extension in the manner provided in Article Fifteenth to all registered owners of Voting Trust Certificates. Each holder of any Voting Trust Certificate who shall not have signed a written

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instrument consenting to such extension, in person or by duly authorized attorney-in-fact, shall be entitled to receive from the Voting Trustees, from and after the termination date specified in clause (a) of Article Thirteenth, a certificate or certificates for TWA Stock in the amount called for by the Voting Trust Certificate held by such holder, in exchange for and upon surrender of such Voting Trust Certificate, and the Voting Trustees shall effect such exchange. Any such exchange shall be effected in the manner provided in Article Fourteenth as if this Agreement had been terminated.

NINETEENTH: Hughes Tool agrees to pay the reasonable compensation of the Notes Agent for its services under this Agreement and the Noteholders' Agreement, including any services rendered by the Notes Agent to the Noteholders, or any of them, in connection with the transactions contemplated by this Agreement and the Noteholders' Agreement and to reimburse the Notes Agent for any out-of-pocket expenses incurred in connection therewith, including the fees and disbursements of any counsel which the Notes Agent may retain in connection with or incident to any of such transactions.

Hughes Tool further agrees that, so long as it or any Hughes Affiliate shall be the beneficial owner of any Voting Trust Certificates, it will not consolidate with, merge into, or convey or transfer all or substantially all of its property as an entirety to, any person unless the successor formed by or resulting from such consolidation or merger or to which such conveyance or transfer is made shall execute and deliver to the Corporation and the Voting Trustees and the Notes Agent, simultaneously with such consolidation, merger, conveyance or transfer, a supplemental agreement to this Agreement wherein the due and punctual performance of the covenants and agreements herein which are to be performed or observed by Hughes Tool shall be assumed by such successor corporation.

TWENTIETH: All notices and other communications hereunder shall be in writing and shall be addressed to each of the respective parties named below at its address set forth below, unless such address

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shall have been changed by written notice to the other parties of such change, in which event it shall be addressed to such changed address:

(a) If to the Corporation:

Trans World Airlines, Inc.,
c/o The Corporation Trust Company,
100 West Tenth Street,
Wilmington 99, Delaware

with a copy to:

Trans World Airlines, Inc.,
380 Madison Avenue
New York 17, N. Y.

Attention: *Senior Vice President—Finance
and Treasurer*

(b) If to the Voting Trustees:

Raymond M. Holiday
c/o Hughes Tool Company,
2200 Gulf Building,
Houston 2, Texas.

.....

.....

(c) If to Hughes Tool:

Hughes Tool Company,
2200 Gulf Building,
Houston 2, Texas.

Attention: *Mr. Raymond M. Holiday,
Vice-President—Finance*

(d) If to the Agents:

Farmers Bank of the State of Delaware,
Wilmington, Delaware

Attention: *Mr. O. H. P. Baldwin,
President*

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(c) If to the Notes Agent:

Irving Trust Company,
One Wall Street,
New York 15, N. Y.

Attention: *Mr. Robert A. Kerr,*
Vice President

Any such request, notice or other communication shall be deemed sufficiently served if mailed by registered or certified mail, postage prepaid, addressed as hereinabove in this Article Twentieth provided.

TWENTY-FIRST: All the covenants, conditions and provisions of this Agreement shall enure to the benefit of and shall be binding upon the parties hereto and the Agent and the Notes Agent and their respective successors and assigns.

TWENTY-SECOND: In the event that any provision of this Agreement shall be held to be invalid or unenforceable in whole or in part under the laws of the State of Delaware, such invalidity or unenforceability shall not in any wise affect the validity of the other provisions of this Agreement. For the purposes of this Article Twenty-second, each and every provision of each Article of this Agreement shall be deemed to constitute a distinct and separable provision from the other provisions of this Agreement.

TWENTY-THIRD: This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and all of such counterparts shall together constitute but one and the same instrument.

TWENTY-FOURTH: Until the termination of this Agreement one original counterpart hereof and of any amendment or modification hereof shall be filed at the principal office of the Corporation in the State of Delaware and open to the inspection of any holder of stock of the Corporation or of any Voting Trust Certificate daily during business hours.

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TWENTY-FIFTH: This Agreement has been made in the City of Wilmington, Delaware, and this Agreement and the trust hereby created shall be construed and governed by the laws of said State and the validity and effect of said trust and of this Agreement shall be determined in accordance with the laws of said State.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

TRANS WORLD AIRLINES, INC.

By
Vice-President.

Attest:

.....
Secretary.
.....(L. S.)
.....(L. S.)
.....(L. S.)
Voting Trustees

HUGHES TOOL COMPANY

By
Vice-President.

Attest:

.....
Secretary.

DX 322 id., Item 11g, Ex.D, page 1
(CAB Orders & Documents)

Exhibit D

Agreement

AMONG

IRVING TRUST COMPANY, as Bank Agent

AND

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE
UNITED STATES and METROPOLITAN LIFE
INSURANCE COMPANY

AND

HUGHES TOOL COMPANY

OPTION AGREEMENT

Dated as of December 1, 1960

DX 322 1d., Item 11g, Ex. D, page 2
(CAB Orders & Documents)

AGREEMENT dated as of December 1, 1960, among Irving TRUST COMPANY, a New York trust company, as agent for the hereinbelow-mentioned Banks (hereinafter called the "Bank Agent"), party of the first part, THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (hereinafter called "Equitable"), party of the second part, METROPOLITAN LIFE INSURANCE COMPANY, a New York corporation (hereinafter called "Metropolitan"), party of the third part, and HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes"), party of the fourth part.

WITNESSETH:

WHEREAS Trans World Airlines, Inc., a Delaware corporation (hereinafter called "TWA"), has executed and delivered to Chemical Bank New York Trust Company, as Trustee (hereinafter called the "Trustee"), an Indenture of Mortgage dated as of December 1, 1960 (hereinafter called the "Note Indenture"), which provides for (a) the delivery of \$72,200,000 principal amount of 6% Equipment Mortgage Serial Notes of TWA, maturing serially on December 31, 1961, and quarterly thereafter through December 31, 1964 (hereinafter called "Serial Notes"), and (b) the issuance thereunder of \$92,800,000 principal amount of 6½% Equipment Mortgage Sinking Fund Notes of TWA, due December 31, 1972 (hereinafter called "Sinking Fund Notes"), all said Serial Notes and Sinking Fund Notes being hereinafter collectively called the "Notes" (which term, as used herein, shall also mean the Serial Notes or the Sinking Fund Notes, as the context or circumstances may require); and

WHEREAS Hughes is the owner of not less than 5,221,301 shares of Common Stock, par value \$5 per share, of TWA, comprising approximately 78% of the outstanding 6,674,153 shares of Common Stock of TWA (hereinafter called "TWA Stock"); and

WHEREAS TWA has entered into an agreement dated as of December 1, 1960 (hereinafter called the "December 1960 Loan Agreement"),

DX 322 1d., Item 11g, Ex. D, page 3
(CAB Orders & Documents)

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with Irving Trust Company and the other Banks named therein (hereinafter collectively called the "Banks") and the Bank Agent, pursuant to which the Banks have agreed to lend an aggregate of \$72,200,000 to TWA, such loans to be evidenced by an equal aggregate principal amount of Serial Notes; and

WHEREAS TWA has entered into agreements dated as of December 1, 1960 (hereinafter called the "Note Purchase Agreements"), with Equitable and Metropolitan (hereinafter together called the "Insurance Companies"), pursuant to which the Insurance Companies have agreed to purchase from TWA an aggregate of \$57,800,000 principal amount of Sinking Fund Notes; and

WHEREAS it is a condition precedent to the obligation of the Banks to advance any moneys to TWA pursuant to the December 1960 Loan Agreement, and it is a condition precedent to the obligations of the Insurance Companies to purchase any Sinking Fund Notes from TWA pursuant to the Note Purchase Agreements, that an Agreement dated as of December 15, 1960 (hereinafter called the "Voting Trust Agreement"), among TWA, the Voting Trustees described therein and Hughes, in the form annexed to the Note Purchase Agreements as Exhibit C, shall have been duly executed and delivered by the parties thereto and all shares of TWA Stock owned by Hughes at the date of the Note Purchase Agreements and all shares of TWA Stock subsequently acquired by Hughes or any Hughes Affiliate (as hereinafter defined) shall have been validly subjected to the Voting Trust Agreement; and

WHEREAS the parties hereto are entering into this Agreement in order to afford Hughes the right, at its option, to purchase all the Notes and thereupon to terminate the Voting Trust Agreement; and

WHEREAS the Bank Agent has been duly authorized by the Banks to enter into this Agreement; and

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DX 322 1d., Item 11g, Ex. D, page 4
(CAB Orders & Documents)

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WHEREAS, for the purposes of this Agreement, (a) the terms "*Hughes Affiliate*" and "*Notes Agent*" shall have the respective meanings specified in the Voting Trust Agreement, and (b) the term "*assignee*" shall mean any person acquiring any of the Notes from any of the Banks pursuant to § 1.4 hereof or from any of the Insurance Companies pursuant to § 2.5 hereof and each successor assignee of any such assignee;

NOW, THEREFORE, in consideration of the premises, the parties hereto agree with each other as hereinbelow set forth:

ARTICLE ONE

Bank Option

§ 1.1. On the terms and subject to the conditions hereinafter set forth, the Bank Agent hereby irrevocably grants to Hughes the non-transferable right and option (hereinafter called the "*Bank Option*") to purchase from the Banks and their respective assignees, if any, at any time after December 31, 1961, at the principal amount thereof plus accrued interest thereon to the Bank Closing Date hereinafter specified, all (but not less than all) the Serial Notes then held by the Banks and such assignees, *provided, however*, that the Bank Option may be exercised only as provided in § 1.2 hereof and the right of Hughes to exercise the Bank Option shall be subject to the conditions that (a) Hughes shall, concurrently with its exercise of the Bank Option, exercise the Insurance Company Options granted to Hughes by the Insurance Companies pursuant to Article Two hereof in accordance with their terms, and (b) the purchase by Hughes of the Serial Notes pursuant to the Bank Option shall not require any consent or approval of any Federal or State governmental or regulatory authority or, if such consent or approval is required, the same shall have been validly granted, shall be in full force and effect, and shall be valid and sufficient therefor on the date when Hughes shall give notice of its election to exercise the Bank Option as provided in § 1.2 hereof.

DX 322 1d., Item 11g, Ex. D, page 5
(CAB Orders & Documents)

§ 1.2. The Bank Option may be exercised by Hughes by giving written notice to the Bank Agent, which notice shall state the election of Hughes to exercise the Bank Option, shall fix a date, not less than 60 days nor more than 90 days after the date upon which such notice shall be given by Hughes, for the delivery of the Serial Notes and the payment of the purchase price thereof (the date of such delivery and payment being herein called the "Bank Closing Date") and shall contain (a) a representation and warranty by Hughes that, concurrently with such exercise of the Bank Option, Hughes has exercised the Insurance Company Options and has designated as the Insurance Company Closing Date in its notice of exercise of the Insurance Company Options the same date as it has designated as the Bank Closing Date in its notice of exercise of the Bank Option, and (b) a representation and warranty by Hughes that it is purchasing all the Serial Notes for its own account, for investment, and not with a view to the distribution thereof. Such notice of exercise of the Bank Option shall be accompanied by an opinion of counsel for Hughes, satisfactory in scope and substance to the Bank Agent, to the effect that the exercise of the Bank Option by Hughes has been duly authorized by all requisite corporate action of Hughes and that the purchase by Hughes of the Serial Notes pursuant to the Bank Option does not require any consent or approval of any Federal or State governmental or regulatory authority or, if such consent or approval is required, that the same has been validly granted, is in full force and effect, and is valid and sufficient therefor.

§ 1.3. On the Bank Closing Date the Bank Agent shall deliver or cause to be delivered to Hughes, at the office of Irving Trust Company, One Wall Street, New York, N. Y., the Serial Notes to be sold to Hughes by the Banks and their respective assignees, if any, pursuant to the Bank Option, duly endorsed in blank or accompanied by duly executed assignments in blank (without recourse) and in proper form for transfer, against payment in full of the purchase price by certified or official bank check payable in Federal Reserve funds to the order of the Bank Agent or otherwise as directed in writing by the Bank

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(CAB Orders & Documents)

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① Agent. Hughes shall be liable for, and hereby agrees to pay, any and all transfer taxes which may be imposed upon the sale of the Serial Notes to Hughes pursuant to the Bank Option.

§ 1.4. The Bank Agent agrees that the option granted by it to Hughes pursuant to § 1.1 hereof shall apply to and cover all the Serial Notes at any time held by the Bank Agent and any of the Banks and that neither it nor any of the Banks will sell, assign, transfer or otherwise dispose of any of the Serial Notes at any time held by it except to another of the Banks unless (a) such disposition is made pursuant to an instrument of assignment duly executed by the assignor or assignee of such Serial Note or Notes, by which the assignee shall agree to assume and to be bound by all the obligations of the assignor under this Agreement in respect of the Serial Note or Notes which are the subject of such assignment, and (b) there shall be endorsed upon the Serial Note or Notes which are the subject of such assignment, prior to the delivery thereof to the assignee, the following legend:

"This Note is subject to the provisions of an Agreement dated as of December 1, 1960, pursuant to which Hughes Tool Company has the right at its option to purchase this Note on the terms and subject to the conditions set forth in said Agreement, a copy of which is on file with the Trustee under the within mentioned Indenture."

The Bank Agent further agrees that it will promptly deliver to Hughes an executed counterpart of each instrument of assignment executed by any holder of Serial Notes pursuant to the provisions of this Section.

§ 1.5. In the event that Hughes shall exercise the Bank Option and the Insurance Company Options in accordance with their respective terms, and thereafter shall fail to pay in full on the Bank Closing Date the purchase price of all the Serial Notes then subject to the Bank Option and all the Sinking Fund Notes then subject to the Insurance Company Options, upon tender thereof to Hughes as provided in this Agreement, the Bank Option shall become void and shall terminate at the close of business on the Bank Closing Date.

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DX 322 1d., Item 11g, Ex. D, page 7
(CAB Orders & Documents)

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§ 1.6. The Bank Option shall be non-transferable and any assignment by Hughes of the Bank Option, or of any interest therein or any right created by the terms thereof, without the written consent of the Bank Agent, shall be void.

ARTICLE TWO

Insurance Company Options

§ 2.1. On the terms and subject to the conditions hereinafter set forth, one of the Insurance Companies hereby irrevocably grants to Hughes the non-transferable right and option (hereinafter collectively called the "Insurance Company Options") to purchase from it and its assignees, if any, at any time after December 31, 1961, at the purchase price specified and computed as provided in § 2.2 hereof, all (but not less than all) the Sinking Fund Notes then held by it and such assignees, provided, however, that the Insurance Company Options may be exercised only as provided in § 2.3 hereof and the right of Hughes to exercise the Insurance Company Options shall be subject to the conditions that (a) Hughes shall concurrently exercise its option thereunder to purchase all (but not less than all) the Sinking Fund Notes then subject to the Insurance Company Options, and (b) the purchase by Hughes of the Sinking Fund Notes pursuant to the Insurance Company Options shall not require any consent or approval of any Federal or State governmental or regulatory authority or, if such consent or approval is required, the same shall have been validly granted, shall be in full force and effect, and shall be valid and sufficient therefor on the date when Hughes shall give notice of its election to exercise the Insurance Company Options as provided in § 2.3 hereof.

§ 2.2. The purchase price to be paid by Hughes for the Sinking Fund Notes upon the exercise of the Insurance Company Options shall be an amount equal to the sum of (a) the principal amount thereof plus accrued interest thereon to the Insurance Company Closing Date hereinafter specified, plus (b) a premium which shall be 22% of the prin-

DX 322 1d., Item 11g, Ex. D, page 8
(CAB Orders & Documents)

principal amount of such Sinking Fund Notes, if the Insurance Company Closing Date shall be on or before March 31, 1962, and which shall thereafter be reduced by $\frac{1}{4}$ of 1% for each quarterly period of three calendar months which shall elapse from January 1, 1962 to the Insurance Company Closing Date.

§ 2.3. The Insurance Company Options may be exercised by Hughes (a) by giving written notice to the Insurance Companies and to each assignee of any of the Sinking Fund Notes named in an instrument of assignment delivered to Hughes pursuant to § 2.5 hereof, and (b) if the Supplemental Indenture referred to in § 3.1 hereof shall have been executed and delivered, by giving written notice also to the Trustee, as provided in § 3.1(b) hereof, which notice shall state the election of Hughes to exercise the Insurance Company Options, shall fix a date, not less than 60 days nor more than 90 days after the date upon which such notice shall be given by Hughes, for the delivery of the Sinking Fund Notes and the payment of the purchase price thereof (the date of such delivery and payment being herein called the "Insurance Company Closing Date"), shall state the purchase price (computed as provided in § 2.2 hereof) to be paid by Hughes for the Sinking Fund Notes, shall state whether or not Hughes has concurrently exercised the Bank Option, and shall contain a representation and warranty by Hughes that it is purchasing all the Sinking Fund Notes for its own account, for investment, and not with a view to the distribution thereof. Such notice of exercise of the Insurance Company Options shall be accompanied by an opinion of counsel for Hughes, satisfactory in scope and substance to the Insurance Companies and their respective assignees, if any (and to the Trustee, if the Supplemental Indenture referred to in § 3.1 hereof shall have been executed and delivered), to the effect that the exercise of the Insurance Company Options by Hughes has been duly authorized by all requisite corporate action of Hughes and that the purchase by Hughes of the Sinking Fund Notes pursuant to the Insurance Company Options does not require any consent or approval of any Federal or State governmental or regulatory authority or, if such consent or approval is required, that the same has been

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HUGHES TOOL COMPANY

Executive Offices
Twenty-Second Floor Gulf Building
Houston 2, Texas

NOAH DISTRICH
Executive Vice President

January 8, 1947.

To the Board of Directors of Transcontinental & Western Air, Inc.:

Hughes Tool Company, as the owner of approximately 16% of the capital stock of Transcontinental & Western Air, Inc., makes the following proposal to the Board of Directors of the latter company, contingent upon a final consummation of the present refinancing deal with Equitable Life Assurance Society, and subject to necessary approval by governmental authority:

- (1) The present refinancing deal with Equitable Life Assurance Society contemplates that the present \$40,000,000 loan will be revised so as to rearrange sinking fund requirements, but that interest shall be paid as and when due. Upon final consummation of this financial arrangement, Hughes Tool Company will thereupon immediately lend Transcontinental & Western Air, Inc. the sum of \$5,000,000 in cash, and on or before June 1, 1947, upon the request of Transcontinental & Western Air, Inc., when the need therefor has been determined by the Board of Directors of said company, will lend said company an additional sum of \$5,000,000 in cash. These loans shall be in the form of notes maturing on the day following the maturity of the outstanding Equitable debentures but shall be subordinate as to principal and interest to said debentures, as well as to any loans which may be extended to Transcontinental & Western Air, Inc. by the Reconstruction Finance Corporation as a result of the establishment of a \$40,000,000 line of credit hereinafter referred to. The notes to be issued to Hughes Tool Company shall bear interest at the rate of 2-3/4% per annum, payable only out of earnings of the company, but interest shall be cumulative and payable in full at maturity..
- (2) During the life of the notes to be issued to Hughes Tool Company, and at any time after the necessary additional shares of common stock of Transcontinental & Western Air, Inc. is legally authorized to be issued, Hughes Tool Company shall have the option of converting said notes, principal and

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Transcontinental & Western Air, Inc.
page 2

accumulated unpaid interest, into Transcontinental & Western Air, Inc. common stock on the following basis:

At a price to be determined by the average of the closing market prices of the stock on the New York Stock Exchange for the ten days preceding the date upon which Hughes Tool Company exercises its option to so convert by written notice to Transcontinental & Western Air, Inc.; provided, however, that on January 1, 1950, Transcontinental & Western Air, Inc. shall have the right to require Hughes Tool Company to convert said notes into the common stock of Transcontinental & Western Air, Inc. by notice in writing to Hughes Tool Company. In such event, the conversion price per share shall be determined by the average of the closing market prices of such stock on the New York Stock Exchange for the ten days preceding the date of the written notice from Transcontinental & Western Air, Inc. to Hughes Tool Company. However, in case Transcontinental & Western Air, Inc. does not require Hughes Tool Company to convert said notes into common stock on said date, as above set out, then Hughes Tool Company's option to convert said indebtedness into common stock shall continue until maturity of the indebtedness.

- (3) Hughes Tool Company will diligently endeavor to arrange a \$40,000,000 line of credit with Reconstruction Finance Corporation, and in order to procure said line of credit will agree with Reconstruction Finance Corporation to enter into a voting trust agreement covering all of its stock in Transcontinental & Western Air, Inc., the members of said voting trust to be selected as follows:

One by Reconstruction Finance Corporation or Equitable Life Assurance Society (as agreed upon between them), one by Hughes Tool Company, and the third by agreement between Hughes Tool Company and Reconstruction Finance Corporation.

Such voting trust shall only become effective if, as and when the first monies may be actually advanced by Reconstruction Finance Corporation to Transcontinental & Western Air, Inc. under the aforesaid \$40,000,000 line of credit, and said voting trust shall continue in effect

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Board of Directors of
Transcontinental & Western Air, Inc.
page 3

until all monies borrowed by Transcontinental & Western Air, Inc. from Reconstruction Finance Corporation have been repaid in full, principal and interest. In the event, however, of any default in payment of principal or interest by Transcontinental & Western Air, Inc. in the Reconstruction Finance Corporation loan, if made, the mutually selected member on the aforesaid voting trust shall, upon demand in writing of Reconstruction Finance Corporation, resign and Reconstruction Finance Corporation shall be entitled to nominate the third member of said voting trust.

- X.D. (4) In the event no money is actually borrowed from Reconstruction Finance Corporation under aforesaid \$20,000,000 line of credit, and only in that event, and any default in principal or interest payments occurs on the Equitable Life Assurance Society's loan, then in that event Hughes Tool Company agrees that it will enter into a voting trust agreement with said Equitable Life Assurance Society covering all of its stock in Transcontinental & Western Air, Inc., and the members of this voting trust shall be elected as follows:

Two by Equitable Life Assurance Society and one by Hughes Tool Company.

In case the aforesaid voting trust agreement with Reconstruction Finance Corporation (paragraph (3)) becomes effective, then Equitable Life Assurance Society shall have no right to require the establishment of the voting trust contemplated by this paragraph.

Upon final consummation of the revised refinancing deal with Equitable Life Assurance Society mentioned above in paragraph (1), and approval by governmental authority, and delivery to Transcontinental & Western Air, Inc. by Hughes Tool Company of the first \$5,000,000 in cash referred to in paragraph (1) above, the Board of Directors will be reconstituted so that a majority of directors will be nominees of the Hughes Tool Company.

Until all of the changes contemplated above have been made, no changes in the by-laws of Transcontinental & Western Air, Inc. will be made without written consent of Hughes Tool Company.

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Board of Directors of
Transcontinental & Western Air, Inc.
page 4

The proposals contained in this letter are necessarily dependent upon various contingencies, and upon final consummation it will be necessary for Hughes Tool Company and Transcontinental & Western Air, Inc. to execute various legal documents. The form of these various documents must, of course, be acceptable to Hughes Tool Company.

HUGHES TOOL COMPANY

By

NOAH DIETRICH

Executive Vice President.

Accepted by the Board of Directors of
Transcontinental & Western Air, Inc.,
January 9, 1947

TRANSCONTINENTAL & WESTERN AIR, INC.,

By

JACK FRYE

President

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TRANSCONTINENTAL & WESTERN AIR, INC.

January 10, 1947

Docket No. 1182

Honorable James M. Landis, Chairman
Civil Aeronautics Board
Department of Commerce Building
Washington 25, D. C.

Dear Sir:

Reference is made to the application of Hughes Tool Company contained in the letter, dated January 10, 1947, from Mr. Palmer Bradley, attorney for Hughes Tool Company, to the Honorable James M. Landis, Chairman, Civil Aeronautics Board, for approval by the Civil Aeronautics Board of the loan by Hughes Tool Company to Transcontinental & Western Air, Inc. of the sum of \$10,000,000, as set forth in the agreement between Hughes Tool Company and Transcontinental & Western Air, Inc.

On January 9, 1947 the Board of Directors of Transcontinental & Western Air, Inc. accepted by unanimous action the proposal of the Hughes Tool Company to the Board of Directors contained in the written communication to the Board of Directors dated January 8, 1947.

As attorney for Transcontinental & Western Air, Inc., I have been instructed by the Board of Directors of that company to inform you that they and the officers of the company join in the application of Hughes Tool Company for the approval of the loan contained in the agreement referred to above and urge that such approval be granted as soon as is conveniently possible.

Respectfully yours,

/s/ Gerald B. Brophy

GERALD B. BROPHY,
Attorney for Transcontinental
& Western Air, Inc.

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HUGHES TOOL COMPANY

Executive Offices
Twenty-second Floor Gulf Building
Houston 2, Texas

January 10, 1947

Docket No. 1182Honorable James M. Landis, Chairman
Civil Aeronautics Board
Department of Commerce Building
Washington 25, D. C.

Dear Sir:

Reference is made to the Order of the Civil Aeronautics Board issued on the 17th day of October 1944, in the above Docket and the amendment thereto, dated the 26th day of January 1946, approving, under the conditions stated therein, control of Transcontinental & Western Air, Inc. by Hughes Tool Company under Section 408 of the Civil Aeronautics Act of 1938, as amended:

Transmitted to you herewith is a copy of an agreement between Hughes Tool Company and Transcontinental & Western Air, Inc. in the form of a letter, dated January 8, 1947, and accepted by the Board of Directors of Transcontinental & Western Air, Inc. on January 9, 1947, providing, among other things, for the loan by Hughes Tool Company to Transcontinental & Western Air, Inc. of the sum of \$10,000,000 upon the terms and conditions stated therein.

On behalf of Hughes Tool Company, application is hereby made to the Civil Aeronautics Board for approval of said loan by Hughes Tool Company to Transcontinental & Western Air, Inc., if such approval is deemed necessary under the terms of the Order dated the 17th day of October, 1944, as amended, and referred to above, and for the approval of any other provision of the agreement between Hughes Tool Company and Transcontinental & Western Air, Inc. submitted herewith under said Order of the Civil Aeronautics Board, if such approval is deemed necessary.

It is believed that the Civil Aeronautics Board is fully aware of the serious financial condition of Transcontinental & Western Air, Inc. It is in an immediate need of substantial working capital.

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Honorable James M. Lewis, Chairman

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in order to carry on its current operations. The loan to the company in the sum of \$5,000,000 by Hughes Tool Company, upon approval by the Civil Aeronautics Board, is designed to alleviate the pressing needs of the company for working capital at the present time. The commitment of the Hughes Tool Company to provide up to an additional sum of \$5,000,000 on or before June 1, 1947 assures further working capital to Transcontinental & Western Air, Inc. to carry on its operations.

In addition to working capital, it is believed that the company may require further funds in order to keep abreast of aircraft development and the service afforded by its competitors and for the purpose of serving adequately the routes for which it has been certificated. Accordingly, you will note that the agreement between Hughes Tool Company and Transcontinental & Western Air, Inc. provides that efforts will be made to obtain a credit of \$40,000,000 from the Reconstruction Finance Corporation or other sources.

In addition, the agreement contemplates a revision of the present indenture securing the debentures of Transcontinental & Western Air, Inc. held by The Equitable Life Assurance Society of the United States so as to eliminate defaults under the present indenture which might occur during the coming year.

In effect, the agreement between the Hughes Tool Company and Transcontinental & Western Air, Inc. contemplates a complete financing program for Transcontinental & Western Air, Inc. to enable it to perform its obligations under the certificates of convenience and necessity issued to it by the United States.

It is requested that the application contained herein be approved in order that the financing contemplated by the enclosed agreement may be completed without delay.

Enclosed also is a letter from the attorney for Transcontinental & Western Air, Inc. in which that company joins in the application contained herein.

Respectfully Submitted,

/s/ Palmer Bradley
PALMER BRADLEY
Attorney for Hughes Tool Company

Enclosures

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January 22, 1947

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Palmer Bradley, Esquire
Attorney for Hughes Tool Company
Twenty-second Floor, Gulf Bldg.
Houston 2, Texas

Re: TMA-Hughes Tool Company Agreement

Dear Sir:

In reply to your letter of January 12, 1947, to which there was attached a certain agreement between TMA and the Hughes Tool Company, you are hereby advised that the Board is of the opinion that neither the loan from Hughes Tool Company to TMA provided for in such agreement nor any other provision of such agreement constitutes the kind of commercial transaction intended to be governed by the conditions imposed by the Board's Order, Serial No. 3210, dated October 17, 1944, as amended by Order, Serial No. 4437, dated January 20, 1946, and, accordingly, no approval by the board of said loan or other provisions of the Agreement is deemed necessary under such orders.

Nothing in this letter is to be construed as a determination that approval by the Board of this agreement pursuant to the provisions of Section 408 of the Civil Aeronautics Act is not required.

Sincerely yours,

(Original file copy approved by all members of the Board loaned to Minutes Section.)

J. M. Landis
Chairman

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Orders
Serial Number 2-099

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

At a session of the Civil Aeronautics Board
held at its office in Washington, D. C.
on the 7th day of February, 1947.

In the Matter of transactions between :
HUGHES TOOL COMPANY :
and :
TRANSCONTINENTAL & WESTERN AIR, INC.:
and related matters :

Docket No. 2796

CHIEF OF INVESTIGATION

IT APPEARING TO THE BOARD:

1. That the Board by Order Serial No. 3210, dated October 17, 1944, Docket No. 1182, approved the acquisition by Hughes Tool Company (hereinafter called Hughes Tool) of control through stock ownership of Transcontinental and Western Air, Inc. (hereinafter called TWA) subject to certain conditions as set forth in said order, as amended by Order Serial No. 4437, dated January 26, 1945; and
2. That Hughes Tool has transmitted to the Board a copy of a letter agreement between that company and TWA, dated January 8, 1947, and accepted by the Board of Directors of TWA on January 9, 1947, providing among other things (1) for a loan by Hughes Tool

-2-

(2) for the reconstitution, upon the occurrence of certain events, of the Board of Directors of TIA, so that a majority of directors will be nominees of Hughes Tool; and

3. That as a consequence of, or in connection with, the foregoing, there may have been or may be such a change in the character or extent of the control of Hughes Tool over TIA as to constitute an acquisition of control requiring approval under section 408 of the Civil Aeronautics Act of 1938, as amended; and

The Board acting on its own initiative and pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 205(a), 408, and 402(b) thereof, and finding that an investigation of the foregoing matters is necessary in order to carry out the provisions of said Act and to exercise and perform its powers and duties thereunder;

IT IS ORDERED:

1. That an investigation be, and it hereby is, instituted for the purpose of:

(1) Determining whether the letter-agreement of January 8, 1947, between Hughes Tool and TIA, accepted by the Board of Directors of TIA on January 9, 1947, or any arrangement or action related thereto, or any change in the activities of Hughes Tool in the field of aeronautics since October 17, 1944, has resulted or will result in an acquisition of control of TIA for which Board approval is required pursuant to section 408 of the Civil Aeronautics Act of 1938, as amended;

(2) Determining whether such acquisition of control, if any, is consistent with the public interest and fulfills the conditions of said

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(3) Entering any such order or taking any such further action herein as may be appropriate pursuant to the provisions of the Civil Aeronautics Act of 1938, as amended.

2. That the proceeding ordered herein be assigned for hearing before an Examiner of the Board at a time and place hereafter to be designated.
3. That Hughes Tool and Co. be made parties to the proceeding herein and that a copy of this order be served upon such parties.

By the Civil Aeronautics Board:

/s/ W. C. Sullivan
W. C. Sullivan
Secretary

(-EL)

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

At a session of the Civil Aeronautics Board held at its office in Washington D.C., on the 27th day of February, 1947, the following:

In the matter of transactions between

HUGHES TOOL COMPANY

and

DOCKET NO. 2796

TRANSCONTINENTAL & WESTERN AIR, INC.

and related matters.

ORDER OF INSPECTION AND EXAMINATION

It Appearing to the Board:

1. That the Board by order Serial No. E-289, dated February 7, 1947,

Docket No. 2796, ordered an investigation into certain transactions between Hughes Tool Company (Hughes Tool) and Transcontinental & Western Air, Inc. (TWA), evidenced by letter agreement of January 8, 1947, between Hughes Tool and TWA, and

2. That said investigation was ordered to determine whether said letter agreement of January 8, 1947, accepted by the Board of Directors of TWA on January 9, 1947, or any arrangement or action related thereto, or any change in the activities of Hughes Tool in the field of aeronautics since its acquisition of control of TWA by stock ownership was approved by the Board on October 17, 1944, has resulted or will result in an

acquisition of control of TWA, for which Board
to section 408 of the Civil Aeronautics Act of 1938, as amended, to deter-
mine whether such acquisition of control, if any, is consistent with the
public interest and fulfills the conditions of said section 408, and to
determine what order or what further action may be appropriate pursuant to
the provisions of the Civil Aeronautics Act of 1938, as amended; and

The Board, acting pursuant to the powers vested in it by the Civil
Aeronautics Act of 1938, as amended, particularly section 407(c) thereof,
and finding that an inspection and examination by its representatives of the
accounts, records, and memoranda, including all documents, papers and
correspondence, now or hereafter existing, and kept or required to be kept
by TWA, is necessary for the administration of the Act, and particularly in
connection with its Order of Investigation dated February 7, 1947, referred
to in paragraph I, hereof;

IT IS ORDERED:

That any employee or employees of the Board designated by the Secretary
of the Board in writing shall at all times during the pendency of the pro-
ceeding instituted by Order Serial No. E-289, dated February 7, 1947,
Docket No. 2796, have access to and authority to inspect and examine all
accounts, records, and memoranda, including all documents, papers, and
correspondence, now or hereafter existing, and kept or required to be kept
by TWA.

By the Civil Aeronautics Board: /s/ M. C. Mulligan

M. C. Mulligan
Secretary

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

At a session of the Civil Aeronautics Board held
at its office in Washington, D. C., on the 27th day of February, 1947.

In the matter of transactions between

HUGHES TOOL COMPANY

and
TRANSCONTINENTAL & WESTERN AIR, INC.

and related matters

ORDER OF INSPECTION AND EXAMINATION

It appearing to the Board:

1. That the Board by Order Serial No. E-289, dated February 7, 1947, Ticket No. 2796, ordered an investigation into certain transactions between Hughes Tool Company (Hughes Tool) and Transcontinental & Western Air, Inc. (TWA), evidenced by letter agreement of January 8, 1947, between Hughes Tool and TWA; and

2. That said investigation was ordered to determine whether said letter agreement of January 8, 1947, accepted by the Board of Directors of TWA on January 9, 1947, or any arrangement or action related thereto, or any change in the activities of Hughes Tool in the field of aeronautics since its acquisition of control of TWA by stock ownership was approved by the Board on October 17, 1944, has resulted or will result in an acquisition

of control of TWA, for which Board approval is required. (CAB Orders & Documents)

Section 408 of the Civil Aeronautics Act of 1938, as amended, to determine whether such acquisition of control, if any, is consistent with the public interest and fulfill the conditions of said section 408, and to determine what order or what further action may be appropriate pursuant to the provisions of the Civil Aeronautics Act of 1938, as amended; and

The Board, acting pursuant to the powers vested in it by the Civil Aeronautics Act of 1938, as amended, particularly sections 407(c) and 408(d) thereof, and finding that Hughes Tool is a person heretofore authorized to acquire control and having control of TWA, and finding further that an inspection and examination by representatives of the Board of accounts, records, memoranda, documents, papers, and correspondence hereinafter described in paragraph 1 below, is reasonably necessary for the administration of said Act, particularly in connection with its order of investigation dated February 7, 1947, referred to above,

1. That the provisions of sections 407(c) and 408(d) of the Civil Aeronautics Act are made applicable to Hughes Tool to the extent necessary to afford the Board and its representative access to and authority to inspect and examine, with respect to the period from and after October 17, 1944,
 - (1) all correspondence between Hughes Tool, or any director, officer, stockholder, or employee thereof, and TWA, or any director, officer, or employee thereof, (2) all correspondence between Hughes Tool, or any director, officer, employee, or stockholder thereof, and Foreign Air Transport Corporation, or any banking, financial, insurance institution or

any director, officer, or employee thereof, re to TWA or the financing of TWA in any manner, (3) all accounts, records, and memoranda, including all documents, papers, and correspondence, relating to the purchase or sale by Hughes Tool or any director, officer, employee, or stockholder thereof of stock of TWA, (4) all accounts, records, and memoranda, including all documents, papers and correspondence, relating to the sale or purchase of aircraft by Hughes Tool, and (5) all other accounts, records, and memoranda, including all documents, papers, and correspondence, which relate to activities of Hughes Tool as a person engaged in a phase of aeronautics or in connection with its stock interest in TWA, now or hereafter existing, and kept or required to be kept by Hughes Tool.

2. That any employee, or employees, of the Board designated by the Secretary of the Board in writing shall at all times during the pendency of the proceeding instituted by Order Serial No. E-289, dated February 7, 1947, have access to and authority to inspect the accounts, records, and memoranda, including documents, papers, and correspondence, now or hereafter existing, and kept or required to be kept by Hughes Tool, set forth in ordering paragraph 1 hereof.

By the Civil Aeronautics Board:

/s/ H. O. Mulligan

H. O. Mulligan
Secretary

(SEAL)

WHEREAS Transcontinental & Western Air, Inc., a Delaware corporation, (hereinafter called "TWA") is in process of certain negotiations with Lockheed Aircraft Corporation of Burbank, California, looking to the acquisition of certain airplanes and equipment; and

WHEREAS Hughes Tool Company, a Delaware corporation, (hereinafter called "COMPANY") is the holder of certain obligations of TWA in the form of debentures issued pursuant to a three-party agreement dated January 31, 1947, between TWA, COMPANY, and the Equitable Life Assurance Society of the United States; and

WHEREAS in the event of the purchase of the airplanes and equipment from Lockheed Aircraft Corporation referred to above, it will be necessary for COMPANY to subordinate the obligations of the debentures to the obligation of TWA in favor of Lockheed Aircraft Corporation; and

WHEREAS TWA has requested COMPANY to facilitate these negotiations in the respect just mentioned; and

WHEREAS COMPANY is willing at this time to agree and make it certain that at no time in the future will a demand for money be made upon TWA based upon the debentures, provided that COMPANY shall be given the right to approve any contract between TWA and Lockheed Aircraft Corporation arising out of or resulting from the present negotiations above referred to, as it would otherwise have had the power to require as a condition to its subordination of the obligations contained in the debentures;

NOW, THEREFORE, in consideration of the

I.

COMPANY hereby agrees that it shall at all times hereafter forever be foreclosed from asserting that it has any right to a payment on account of any of the above mentioned debentures, in money or in any form other than stock in TWA in accordance with the provisions of the debentures. It is the purpose hereof to assure TWA, and all persons, with whom it might deal, of the fact, and to bind COMPANY to the fact that the above referred to debentures shall at all times hereafter remain only a measure of the right of COMPANY to acquire stock in TWA in satisfaction thereof. This act of COMPANY in no sense constitutes an election to convert the debentures into stock as of this date, or of any other date, and it shall be construed only as a waiver of, and agreement by COMPANY that it shall not hereafter have, any rights under the debentures not relating to stock acquisition. Insofar as they relate to stock acquisition, the debentures and the agreement shall remain in all respects in full force and effect and shall constitute the measure of, as well as the basis for, the right of COMPANY to acquire additional stock in TWA in satisfaction of such debentures, all as therein provided and as if this agreement had not been executed.

II.

TWA agrees that it will enter into no final contract with Lockheed Aircraft Corporation pursuant to the negotiations now being carried on and which were the subject of letter of November 19, 1947 from COMPANY to Lockheed Aircraft Corporation, unless COMPANY shall have approved such contract

IN WITNESS WHEREOF the parties have executed this
instrument IN DUPLICATE ORIGINALS as of the 26th day of
December, 1947.

HUGHES TOOL COMPANY

By /s/ Noah Dietrich
Executive Vice President

Attest:

/s/ C.S. Johnson
Secretary

TRANSCONTINENTAL & WESTERN AIR,
INC.

By /s/ LaMotte T. Cohu
President

Attest:

/s/ Albert V. Leslie
Vice-President-Treasurer

DX 3-13g

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

DOCKET NO. 2796

THE HUGHES TOOL COMPANY INVESTIGATION

*Release
Authorized
Edward T. Stodola
Examiner
Jan. 30, 1948.*

In the matter of transactions between the Hughes Tool Company and Transcontinental & Western Air, Inc., and related matters.

REPORT OF EDWARD T. STODOLA, EXAMINER

Served: 1-30-48

Opens

Thomas A. Slack for Hughes Tool Company.
Gerald B. Proby for Transcontinental & Western Air, Inc.
Gabriel J. Patavia, Public Counsel.

Exceptions, if any, must be filed with the Secretary, Civil Aeronautics Board, Washington, D. C., and served upon all parties within 10 days from the date of service shown above. Briefs to the Board, if any, may be filed with the Secretary of the Board and served on all other parties within 10 days after date fixed for filing exceptions.

DOCKET NO. 2796

TWA-HUGHES TOOL COMPANY INVESTIGATION

Recommended, that the Board find that the transaction evidenced by the letter agreement between the Hughes Tool Company and Transcontinental & Western Air, Inc., dated January 8, 1947, and accepted by the Board of directors of TWA on January 9, 1947, have resulted in a further acquisition of control by Hughes Tool Company over TWA within the meaning of section 408 of the Act.

Recommended, that a subsequent hearing be held to determine whether such further or additional acquisition of control by the Hughes Tool Company is consistent with the public interest and fulfills the conditions of said section 408.

Appearances

Thomas A. Slack (Andrews, Kurth, Campbell & Bradley) for Hughes Tool Company.

Ernest P. Frothy (Chadbourne, Wallace, Parks & Whiteside) for Transcontinental & Western Air, Inc.

Gabriel J. Patavin and James L. Hickey, Jr., Public Counsel.

REPORT OF EDWARD T. STODOLA, EXAMINER:

PRELIMINARY STATEMENT

This proceeding arises out of an order of the Board instituting an investigation into a letter agreement between the Hughes Tool Company (Toolco) and Transcontinental and Western Air, Inc. (TWA), dated January 8, 1947, and accepted by the board of directors of TWA on January 9, 1947. Among other things, this agreement provided for a substantial money loan by Toolco to TWA in exchange for notes of TWA convertible into shares of common stock of the carrier, and for the reconstitution, upon the occurrence of certain events, of the board of directors of TWA. The Board instituted this proceeding to determine whether said letter agreement or any arrangement or action related thereto, or any change in the activities by Toolco in the field of aeronautics since October 17, 1944, has resulted or will result in an acquisition of control of TWA for which its approval is required pursuant to section 408 of the Civil Aeronautics Act of 1938, as amended; to determine whether such acquisition of control, if any, is consistent with the public interest and fulfills the conditions of said section 408; and for the purpose of entering any such order or taking any such further action as may be appropriate pursuant to the provisions of the Act.

On May 15, 1947, after a prehearing conference had been held on the issues raised by the Board's order instituting this proceeding, respondents Toolco and TWA filed a joint motion requesting an order of the Board to hear and determine

1/ Order Serial No. E-289, dated February 7, 1947.

2/ This is the date of the Board's approval of the original acquisition of control by Hughes Tool Company of TWA under section 408 of the Act, Docket No. 1162, Transcontinental & W.A. Control by Hughes Tool Co., 6 C.A.B. 153.

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separately "the preliminary questions" raised by said order of investigation, and to limit the evidence in the proposed preliminary proceeding accordingly. Upon consideration of the action, the Board on June 18, 1947, ordered that a preliminary hearing be held to determine the question of whether the said letter agreement of January 8, 1947, or any arrangement or action related thereto, or any change in the activities of Toolco in the field of aeronautics since October 27, 1944, has resulted or will result in an acquisition or control of TWA pursuant to section 408 of the Act, and ordered further that the hearing on the other issues raised by the Board's order of February 7, 1947, be deferred pending decision on the aforesaid issue. The Board, however, denied the action of the parties with respect to any limitation of the evidence in this initial or preliminary proceeding. Hearings were held pursuant to this latter order of the Board in Los Angeles, Calif., on September 10 and 11, 1947.

STATEMENT OF ISSUES

Section 408(a)(5) of the Act, makes unlawful, without Board approval, an acquisition of control of an air carrier by a person engaged in a phase of aeronautics. In November 1943, Toolco applied to the Board under section 408 of the Act for "approval . . . of the control by the applicant of Transcontinental & Western Air, Inc." Toolco was then and thereafter, by reason of several activities, a "person engaged in a phase of aeronautics."

As of December 31, 1943, Toolco owned 440,050 shares of the capital stock of TWA, or approximately 45.6 percent of the total 965,173 TWA shares outstanding on that date. Hearing on the Toolco application for approval of

3/ Order Serial No. E-657, granting in part and denying in part the application of Hughes Tool Company and Transcontinental and Western Air, Inc.

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control was held on March 17, 1944. Upon a record in which it was stipulated that the stock then owned by Toolco constituted control of the carrier, the Board approved the acquisition of control of TVA by Toolco. ^{4/}

The order of approval contains no specific reference either to the extent of stock ownership which might be enjoyed by Toolco or to the nature of the aeronautical activities in which Toolco might engage. The Board, however, placed certain conditions in its order of approval which in effect limits the right of Toolco to engage in commercial transactions involving aeronautical property with TVA. ^{5/}

4/ Transcontinental & V.A. Control by Hughes Tool Co. ENTRA.

^{5/} The following is the text of order of approval issued October 17, 1944:

Hughes Tool Company, an industrial corporation, having filed an application requesting that the Board approve the acquisition of control, by the purchase of common stock, of Transcontinental & Western Air, Inc., under section 409 of the Civil Aeronautics Act of 1938, as amended, and a full public hearing having been held thereon, and the Board, upon consideration of the record in this proceeding, having issued its opinion containing its findings, conclusions, and decision, which is attached hereto and made a part hereof,

IT IS ORDERED, That the application of Hughes Tool Company be and it is hereby approved, subject to the following conditions:

1. That said approval shall be effective so long as commercial transactions between TVA and Hughes Tool Company and between TVA and any affiliate or subsidiary of Hughes Tool Company are limited to transactions involving complete items of property, the price of which does not exceed \$100 each, with the further limitation that the total annual expenditure involved in such commercial transactions by either party shall not exceed \$10,000;

2. That TVA shall furnish with its annual report to the Board a supplement thereto showing the total of all cash transactions between TVA and Hughes Tool Company and/or any affiliate or subsidiary thereof, the number of such transactions, the maximum and minimum price of items of property, and the general nature of the commodities involved; and

3. That nothing herein shall restrict or affect the right of purchase by Hughes Tool Company through TVA of aircraft, the purchase of which is provided for in existing agreements between them. (P. 158)

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The basic question to be resolved herein is whether under the facts of record in this proceeding there has been any additional acquisition of control of TWA by Toolco requiring approval by the Board under section 408 of the Act. This question in turn raises two problems: First, whether there can be any acquisition of control of TWA by Toolco which requires Board approval in view of the fact that the Board has previously approved acquisition of control of the air carrier by Toolco; secondly, if, as a matter of law, there can be an additional acquisition of control, notwithstanding the Board's prior approval of control pursuant to section 408 of the Act, whether the instant record shows an acquisition of control of such character as must be approved by the Board. Further, as a part of the general problem of the Board's jurisdiction in this type of case but separate from the question whether or not the transaction represented by the letter agreement has resulted in a further acquisition of control, it appears appropriate to inquire whether or not the Board has continuing jurisdiction over a control relationship previously approved by it under said section 408.

STATEMENT OF FACTS

Both TWA and Toolco are Delaware corporations. TWA is holder of certificates of public convenience and necessity issued by the Board authorizing it to engage in air transportation both in the United States and in the international field. All of the capital stock of Toolco is owned by Howard A. Hughes; its principal business is located in Houston, Tex., and consists of the manufacture of oil well drilling tools and equipment. Through an unincorporated division of its business, operated under the name of "Hughes Aircraft Company," with its principal place of business at Culver City, Calif., Toolco has been and is at present engaged in certain activities in the field of aeronautics.

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Toolco's control over TWA was acquired through gradual purchases of shares of stock, beginning with an initial purchase of only 600 shares in March 1939. By the end of 1939 Toolco held 157,700 shares. The Board in the original acquisition case, decided in October 1944, found that Toolco's first participation in any phase of civil aeronautics followed the acquisition of its interest in TWA in 1939. Prior to 1939, the only activities of Mr. Hughes, the sole stockholder of Toolco, or Toolco itself, associated with any phase of aviation were in experimental and developmental work upon the privately owned and operated equipment of Mr. Hughes or his company. Since 1939, and between that time and 1944, the Board found that Toolco's engagement in a phase of aeronautics consisted in the collaboration between Messrs. Jack Frye, then president of TWA, and Hughes, in the preparation and development, primarily for use by TWA, of the transport plane now known as the Constellation, and in Toolco's development and manufacture of aircraft and aircraft accessories in furtherance of the war effort.

In brief, the aeronautical activities of Toolco represented by the Constellation program involved arrangements between Toolco and the Lockheed Aircraft Corporation for the construction and purchase of this four-engine passenger transport plane. After various changes and modifications as to priorities, deliveries, and the number of aircraft to be purchased, Toolco's agreements with Lockheed were assigned to TWA, with Toolco reserving an option to purchase through TWA 25 of the 40 aircraft to be built under the Constellation specifications. The Board, in holding that Toolco was a person engaged

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in a phase of aeronautics, paid particular attention to the fact that it retained rights under the Lockheed contracts to 25 Constellations which might have been resold for commercial airline operations. Toolco's option under the contracts has since completely expired and this phase of aeronautical activities on the part of Toolco must be considered ended.

About the time of the contracts for the construction of the Constellations, Toolco acquired 25,000 shares of stock in the Lockheed Aircraft Corporation and was at one time Lockheed's largest stockholder. Toolco's executive vice president described this purchase of stock as a necessary expedient so that there would be a closer contact with Lockheed's operations. When the Army took over the Constellation program during the war, Toolco decided to dispose of its stock in Lockheed. However, through inadvertence, the brokers making the sale failed to dispose of 400 shares of the stock. To the extent that these remaining shares represent an interest in a manufacturer of aircraft, Toolco is engaged, at least indirectly, in that phase of aeronautics. However, this interest in Lockheed perhaps no longer represents a relationship of any real significance, particularly since Toolco's connections with the production and sale of the Constellation aircraft has been terminated.

Aside from the termination of Toolco's relationship with Lockheed in the development of the Constellation transport, the record shows that there has been no substantial change in the aeronautical activities of Toolco since the Board's order of 1944 approving control of TWA. At the time of the hearing in the original control proceeding, Toolco's aeronautical activities were, as

7/ As far as shown by this record, TWA has no equipment on order from Lockheed. But, even assuming there have been purchases by TWA of equipment from Lockheed since the date of the hearing or that there may be such purchases in the future, it is difficult to see how any harmful influence could result

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already indicated, closely associated with the war effort.

Located at Houston were the Aircraft Strut Plant, manufacturing aircraft landing gear and struts for the Army, and the Dickson Gun Plant, which manufactured gun barrels and was operated for the Army by Toolco under a management contract. Operations in both of these plants terminated following the close of the war. The major wartime aeronautical enterprise of Toolco consisted of the development of the planned flying boat, HL-1, and a photo reconnaissance plane, known as the XP-11, both on Government contracts. Only one of the former and three of the latter type planes have been produced.

The XP-11 is a plane developed for use in combat and is not adaptable to commercial air transport service. The original contract for the production of the XP-11 contemplated the manufacture of 101 units of this type ship. At the end of the war that contract was cut back to three planes: one static test model and two flying models. The static test model has been delivered to the Army and the first flying model crashed in a test flight and was completely destroyed. The third ship is now in the process of being tested by the U. S. Army, under its responsibility.

HL-1, commonly called the cargo ship, is the only one of its type in existence. This ship, an eight-engine craft alleged to be the largest airplane in the world, was built under a contract let by the Defense Plant Corporation to the Kaiser-Frazer Company. This contract was later canceled and a new contract was set up between the Defense Plant Corporation (succeeded in interest

^{2/} Kaiser-Frazer Company, which was organized in connection with the cargo ship contract, is legally still alive, though it no longer functions. The charter of this company permits it to engage in the manufacture and operation of aircraft but there is no indication in the record that this company

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by the Reconstruction Finance Corporation) and the Hughes Aircraft Company. Under this contract an arrangement is provided whereby Toolco may be permitted to retain the ship for further experimental purposes of its own at prescribed rental rates. This arrangement permits Toolco to get a credit not to exceed \$2,000,000 if it expends more than that sum beyond the \$18,000,000 fixed price under the contract for the plane. According to Mr. Deltrich, executive vice president of Toolco, this latter clause was included in the contract to enable Toolco to get whatever experimental and developmental experience from the work that possibly existed in it. As of July 31, 1947, Toolco had expended over \$7,000,000 of its own funds in the construction of the cargo plane. While it is clear that the cargo ship itself cannot be used for commercial aviation and that it was not intended to be so used, there is no reason to assume that the experience obtained by Toolco from its construction cannot be used to develop a plane along the lines of this ship, either for the carrying of cargo over long distances or long-range passenger operations.

In addition to the activity involved in the production of the four planes referred to above, which were considered by the Board in the original control proceeding, Toolco has developed and sold, or has contracted to sell, the Hughes Airline Radar Device and certain items of airplane armament, all developed by the aircraft division of the company at Culver City. Furthermore, aside from said purchase contracts, the company has contracts with the United States Government for the following work in the aeronautical field: (1) experimental evaluation of three remote control devices for throttles on airplane engines; (2) experiments on a paravane antenna for Army and Navy aircraft; (3) experiments on controlling aerodynamic devices by signals on celestial bodies; (4) experiments involving the design and control of pilotless aircraft;

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(5) experiments on radio devices in the VHF (very high frequency) field; (6) the manufacture of ammunition hoists and machine gun feed mechanisms for Army and Navy aircraft; and (7) the production of ammunition feed chutes and booster for machine guns for the United States Navy. From the foregoing, it is evident that the plant at Culver City is primarily a large scale development laboratory for aeronautics.

A further aeronautical activity of Toolco consists of conversion work on 14 C-47 aircraft, which represent Army surplus equipment acquired by Toolco since January 1947 for conversion and resale. The record shows that this activity did not commence with orders for said planes before their purchase, but that Toolco went out and purchased these planes in the hope that they would be readily resalable after conversion. Certain of these planes are currently being sold.

The only equipment directly usable by commercial aviation now being manufactured by Toolco is the Hughes Airline Radar.^{2/} This device is an instrument which works on the radar principle and is capable of warning the pilot of his proximity to any obstruction. These devices are now being sold by Toolco to all commercial airlines that wish them, on a nonprofit basis. The sale of the radar device will also be sold to TWA at cost. Purchase orders from that carrier have been received by Toolco which recite that the purchases would be made subject to the terms and conditions of the Board's order approving; control by Toolco, as amended,^{1C/} in Docket No. 1182. Apart from the prospective

^{2/} The other devices manufactured by Toolco and developed by it consist of the ammunition hoists, machine gun feed mechanism and boosters and are purely military equipment.

^{1C/} On October 29, 1947, the Board, by Order Serial Number E-922, modified the original order approving the acquisition in Docket No. 1182 so as to permit Toolco to sell the radar units to TWA.

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sales to TVA, the effect and extent of which is controlled by the Board, Toolce has marketed, and apparently will continue to market, these devices to other purchasers. However, there has been no attempt to market the device formally, the orders received having been more or less spontaneous, flowing from the advertisements which have appeared in connection therewith.

With respect to the contracts upon which Toolce is now engaged for experimental work, the paravane antenna and the very high frequency devices are most likely to be effectively adapted to commercial aviation use. The record shows that title to all the devices now being developed on an experimental basis, save the ammunition hoists and the machine gun feed chute, is in the United States Government and their manufacture for commercial use would require governmental approval. However, there is no reason to believe that the knowledge obtained by Toolce in the manufacture of the paravane antenna or any of the other devices hereinabove referred to, could not readily be applied to the manufacture of similar equipment usable in commercial aviation. The record, however, indicates that Toolce has no present plans for engagement in the commercial production and sale of such aircraft equipment.

There have been but small additions to the stock held by Toolce in TVA since the date of the Board's approval of control. Whereas on October 17, 1944, Toolce owned a total of 440,050 shares, or about 45.1 percent of TVA's outstanding stock, it held but 14,600 more shares, or approximately 46.1 percent of TVA's total outstanding shares, on January 1, 1947. The remaining share holdings are widely dispersed.

The present and contemplated aeronautical activities of Toolce clearly establish its engagement in a phase of aeronautics under section 408 of the Act. We now turn to an examination of the letter agreement of January 8, 1947.

To understand the return for the letter agreement of January 8, 1947, it is necessary to examine Toolce's relationship to TVA during the period between the end of the recent war and the date of the agreement. The history of this

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effect upon Toolco's control of the carrier.

Prior to the end of the war TWA was described by Mr. Deitrich as having "plenty of capital". Like other carriers, TWA was then operating under war-engendered restrictions in equipment. With the war's end, however, came the necessity for expansion, both in equipment and personnel, to operate a network of newly authorized routes. To this end it became imperative to raise additional capital. Efforts at additional financing, however, disclosed a gradual but ever widening rift between the TWA management and Toolco with respect to financing plans and policies for the carrier. No attempt will be made here to recount or outline all of the differences between the TWA management and its principal stockholder. Nor are the merits of such differences of concern here. They are relevant here only as they reflect the background of the events which led to the letter agreement.

As early as January 1945 there were some preliminary discussions between Mr. E. Lee Talman, then senior vice president of TWA, and Mr. Deitrich, with respect to financing for the carrier. Mr. Deitrich then recognized that TWA's capital needs could not be financed without increasing the carrier's common stock base. Mr. Deitrich further informed Mr. Talman that final decision in the matter was up to Mr. Hughes, but indicated that he would do all he could to assist in obtaining Mr. Hughes' approval. Thereafter, Mr. Frye, then president of TWA, and Mr. Hughes had a number of discussions with respect to further financing for TWA. Nothing, however, came of these efforts.

There is evidence to indicate that the management of TWA had been considering plans for capital expansion long before the financial condition of TWA became critical. The officials of TWA and Mr. Deitrich were in agreement that the company needed a broader stock base and that any plan for raising capital required the sale of additional common stock. Yet, no definite program for

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arriving at a financing program acceptable to Toolco were impeded by the lack of faith on the part of Mr. Deitrich and the board of directors of Toolco in the TWA management. In fact, Mr. Deitrich testified that he had lacked confidence in the TWA management for several years.

Following the failure of the TWA management and Toolco to agree on a method to finance TWA's postwar needs, a number of other proposals to raise the required capital came into being. During the latter part of 1945, Mr. Frye approached the Export-Import Bank to establish a line of credit in the amount of 15 million dollars. This loan was to be reduced by the amount of funds and credit secured from private sources. Efforts were also made about this time to secure a loan from the Reconstruction Finance Corporation in the amount of 17 million dollars. On the assumption that one or the other of the foregoing loans might materialize, the management of the carrier felt that perhaps some interim financing might suffice. This led to a proposed bank loan in the amount of 17 million dollars for the purchase of equipment in which the Commercial National Bank and Trust Company of New York and other banks were to participate. Mr. Frye, however, considered this loan inadequate. Meanwhile, during November 1945 a program of debt financing was entered into with the Equitable Life Assurance Society of the United States whereby Equitable purchased an issue of 3 percent sinking fund debentures from the carrier in the principal amount of 30 million dollars. ^{11/} Then in the early months of 1946 Equitable purchased an issue of 2 1/2 percent sinking fund debentures in the amount of 19 million dollars from TWA. Sinking fund payments of 4 million dollars annually were required under the two series of debenture loans. These payments were to be used forthwith for the retirement of outstanding debentures.

^{11/} The debentures were issued pursuant to a purchase agreement dated November 30, 1945, and in accordance with the provisions of an indenture dated 1945. The Equitable loan was an equipment loan in that 60 percent

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There is nothing in the record to indicate that a successful flotation of stock in a large volume could not have been accomplished at any time during 1945 and during the greater part of 1946. But even as late as 1946 no plans for equity financing had been agreed upon since Mr. Hughes had not consented to such financing. It appears that TWA officials were apparently unable to obtain a firm commitment from Mr. Hughes for equity financing, although the record shows that there probably would have been no objection to such financing on the part of Mr. Hughes "under proper conditions." One of such conditions, as far as both Mr. Deitrich and Mr. Hughes were concerned, was a change in the management of the carrier. Accordingly, it definitely can be concluded that the lack of financing at least up to this date, resulted from the differences of opinion between the TWA management and its principal stockholder and from the lack of faith expressed by Mr. Deitrich and the board of directors of TWA in such management.

It further appears from the record that the TWA board of directors were divided over plans to finance the carrier and with regard to policies regarding its operation. Prior to January 9, 1947 all the directors of TWA were persons acceptable to Mr. Frye. Of the 11 directors who were members of the TWA board prior to its reconstitution on January 9, five were employees of the company and opposed a managerial reorganization of the carrier. The six other nonemployee directors - the so-called "outside" directors - sided with TWA on the necessity for reorganization of the carrier's administrative or managerial set-up. In Mr. Deitrich's opinion the division in the board of directors was a very strong one, although the minutes of the directors' meetings during this period do not reveal such dissension.

When the anticipated loans from the Export-Import Bank and the RFC did not materialize, presumably because the carrier failed to establish that pri-

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*New York and including the
Trust Company of
Pittsburgh*

led to negotiations for large-scale financing through a group of bankers headed by the Fankers Trust Company of Pittsburgh, now the Mellon National Bank and Trust Company. In August 1946 a concrete plan was evolved which would have raised considerable capital. The plan proposed equity financing for TWA to the extent of 25 to 35 million dollars, direct credit from the banks to the extent of 25 million dollars, and an additional 10 million dollars to be furnished by Toolco. The amount to be furnished by Toolco was also to be raised through a stock issue. This plan thus contemplated equity financing to the total extent of 35 or 45 million dollars. It did not involve prepayment or retirement of the Equitable loan. The banks attached two conditions to the proposed financing: (1) a change of management for TWA, and (2) the security market maintaining its relatively favorable mid-1946 level.

The TWA management was favorable to the so-called Fankers Trust plan except that it did not want itself replaced. Again, differences of opinion between the management of the carrier and the principal stockholder apparently delayed the acceptance of the Fankers Trust plan, even though Mr. Hughes had agreed to the substantial equity financing involved in that proposal. In the end nothing was done until an unfavorable turn in the security market about September 1946 resulted in a withdrawal of the Fankers Trust plan.

Toward the end of 1946 TWA's financial condition had become critical. All efforts at refinancing had failed. The record shows that in the closing months of 1946 TWA could not attract any capital and was facing bankruptcy. The record further shows that Toolco was willing to be of further financial assistance but was unwilling to advance additional money to save the carrier without taking precautions to assure itself that the money would be wisely spent. It was Mr. Dietrich's definite opinion that certain economies were necessary to the life and welfare of TWA and he believed that the TWA management prior

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to January 9, 1947 was not disposed to effectuate them. Because it was felt that the viewpoint of the majority of stockholders was not adequately represented on the TVA board of directors, plans were made to increase their number or to shorten their term of office. This, however, was not effected because the carrier's bylaws at that time prevented the proposed changes and because of Mr. Deltrich's fear of possible unfavorable publicity which might result. Thus one of the purposes of the latter agreement was the selection of a new or more sympathetic board to run the carrier.

All these factors contributed to the crisis confronting TVA in the late months of 1946. The latter agreement of January 8 became the means chosen to reorganize the carrier and to save it from bankruptcy.

The latter agreement of January 8, 1947, between Toolco and TVA was accepted by the board of directors of TVA on January 9, 1947. This agreement provides, among other things, for (1) a loan by Toolco to TVA in the amount of 10 million dollars and the issuance to Toolco of 3 3/4 percent notes due June 2, 1956, for each loan with an option to convert said notes into common stock of TVA; (2) diligent endeavor on the part of Toolco to arrange a 40-^{12/}million dollar loan of credit with the RFC; (3) a rearrangement of the Equitable financing under the 40-million-dollar debenture loan; (4) a reconstitution of the board of directors of TVA so that the majority thereof will be nominees of Toolco; and (5) a requirement that no change be made in the bylaws of the carrier without the written consent of Toolco until all the foregoing changes and conditions had been made.

^{12/} The loan contemplated was also to be an equipment loan and is no longer being pressed because it was Mr. Deltrich's opinion that no additional equipment is required by the carrier. However, attempts were being made about the time of the hearing herein to secure a general credit from the RFC in the amount of 10 million dollars.

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The notes issued to Toolco under the agreement may be converted at any time prior to their maturity, on 15 days notice, into TVA common stock at the option of Toolco and there appears no possible way for the carrier to avoid the conversion whenever Toolco elects, save bankruptcy. The notes themselves are convertible at a price equal to the average price of the TVA stock for the last 15 days prior to the notice date on the New York Stock Exchange, but in no event for a price less than \$5 per share. To provide for the possible conversion, 2,000,000 shares of TVA common stock at \$5 per value have been authorized. Thus, if Toolco were to acquire the entire 2,000,000 shares authorized at the minimum conversion price, it would then be the owner of about 60 percent of the common stock of TVA issued and outstanding. It should be noted that stock in TVA carries with it no preemptive rights, so that upon the issuance of additional shares present stockholders, other than Toolco, may not require that they be permitted to subscribe to shares proportionate to their present holdings in the carrier. Accordingly, the letter agreement gives Toolco an irrevocable right to acquire up to a possible 60-percent stock interest in TVA. It should also be noted that the letter agreement further provides that TVA may not make payments on Toolco's loan before payment in full is made in the \$10 million dollar debenture loan held by Equitable, and any advances made to the carrier by the RFC. Under the circumstances, it is not likely that conversion, if Toolco should so elect, could be avoided except by an act of bankruptcy by the carrier.

13/ There is a possibility, however, that TVA may accelerate the conversion since the agreement provides that on January 1, 1950, TVA may require Toolco to exercise its option to convert. The record is not clear as to why this condition was inserted into the letter agreement.

If Toolco should convert at \$15, the closing market price of TVA stock on 12/17, it would obtain approximately 67 percent of all TVA stock

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The loan by Toolco, as just noted, is junior to the 40-million dollar indebtedness to Equitable. TWA was technically in default on this loan at the time the latter agreement was accepted. As a partial consideration for Toolco's loan, Equitable agreed to a rearrangement of the sinking fund requirements under the indenture by making the terms of payment more lenient. The 10-million dollar Toolco loan was advanced to TWA in staggered sums, with an initial advance of 5 million dollars on January 31, 1947. Under a so-called three-party agreement, Equitable agreed to amend the indenture to permit the Toolco loan when the full 10 million dollars became available to the carrier. This was handled in such a manner as to automatically place TWA in default of the indenture if Toolco failed to loan the second 5 million dollars. In the event of default after the full loan had been made, Toolco and Equitable agree to execute a voting trust agreement to which will be pledged all Toolco's shares in TWA either presently owned or subsequently acquired. Toolco will appoint one and Equitable two of the three voting trustees.

Immediately upon the consummation of the latter agreement, the board of directors of TWA was reconstituted and 13 additional directors were added to the original 11 then upon the board. The directors added were all nominees of Toolco. In addition to the reconstitution of the board of directors, certain

15/ Agreement between Toolco, TWA, and Equitable.

16/ These were Palmer Bradley, Thomas A. Slack, William Streetman, and Richard F. Burns, all members of the law firm representing Toolco; A. V. Leslie, a former tanker and now a Toolco employee; Harry Rogers, a production man brought to Kansas City to study maintenance problems of the carrier; W. H. Seizes, another employee of Toolco; A. D. Simpson, president of the National Bank of Commerce of Houston; Oscar Holcomb, Mayor of Houston; and C. E. Milliken, F. J. O'Hara, George C. Summers, and Lloyd Wright, all attorneys. Mr. Deltrich testified that all 13 of these men were well known to the principal stockholder and that he knew that they could be relied upon to exercise that degree of judgment and discretion so that the money loaned to TWA by Toolco would be properly dedi-

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other changes were made in the operation and management of the air carrier after January 9. These changes mainly were in the nature of the replacement of the top management of the carrier, the institution of a rigid program of economy, and the importation of Toolco personnel to analyze TWA problems. The top management of TWA was vested in a temporary executive committee which, at all times had as two of its members either Mr. Pradley and Mr. Leslie, or Mr. Deitrich and Mr. Leslie. Messrs. John Collings and Paul Richter, representing the management of the carrier, also served on this Committee.

As a result of these changes the record shows that certain suggestions by Mr. Deitrich were almost immediately thereafter carried into effect. These changes related to the top level management of the company and insofar as, at least the degree to which the new, and then temporary, management of the carrier on and after January 9, 1947, found itself in agreement with the wishes of the principal common stockholder. Further changes consisted of simplification of the corporate structure of TWA and the cancellation of the Lockheed equipment program.

The regular annual stockholders' meeting of the carrier was held on April 24, 1947. The TWA board was then reduced in number from 24 to 14. Of the 14 individuals who are now members of the TWA board, 8 of the 13 nominated by Toolco on January 9 remained. They are Messrs. Pradley, Leslie, Simpson, Wright, Helcomb, and Streetman. To their number were added Mr. A. J. Eichmeyer, a Kansas City banker, and Mr. Deitrich. The remaining 6 members of the present board are carry-overs from the board of TWA that existed prior to January 9. With this board there exists little probability of conflict over Toolco's policy for TWA.

At this annual stockholders' meeting the TWA bylaws were amended to permit the removal of any director without cause by the vote of the majority of the stock present and entitled to vote at any special meeting of the stock-

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holders. After the annual stockholders' meeting, the newly elected board of directors further amended the bylaws of the carrier to provide, among other things, that special meetings of the stockholders, for any purpose other than that regulated by statute, could be called at the request of holders of 20 percent or more of the capital stock. At such a meeting the stockholders can increase or decrease the number of directors for the purpose of obtaining control. These amendments were obviously designed to make the new board more responsive to the stockholders' wishes.

It would appear that all of the management powers acquired by Toolco as a result of the letter agreement could have been assumed in any event through the voting of its stock at the annual stockholders' meeting held on April 30, 1949. However, it is doubtful whether in the absence of the letter agreement Toolco could have brought about these changes prior to that stockholders' meeting.

SUMMARY OF THE LAW

As already indicated, both Toolco and TVA are Delaware corporations. Section 24 of the Delaware Corporation Law provides that a corporation may amend its certificate of incorporation by adding to or decreasing its corporate powers, or by substituting certain powers and purposes in place of those already present therein, or by increasing or decreasing its authorized capital stock or reclassifying it, or by making any other change or alteration in its certificate that may be desired. Every such amendment, however, requires the affirmative vote of a majority of the stock of that corporation.

17/ The bylaws of TVA may be altered or amended by either the stockholders or the board of directors.

18/ Revised Code of Delaware 1935, Chap. 68, Art. 1, Par. 3058, Sec. 24.

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entitled to vote on such amendment. Under section 39 of the Delaware Corpora-
tion Law proceedings for dissolution must be approved by two-thirds of the
voting stock of said corporation, and under section 50 of that law an agree-
ment of merger between a Delaware Corporation and another such corporation,
or a corporation of any State must, at least insofar as the Delaware Corpora-
tion is concerned, have the approval of two-thirds of the total number of
shares of its capital stock.

The provisions of the Civil Aeronautics Act which are incorporated in
the regulations herein are as follows:

"Sec. 408 (a) It shall be unlawful, unless approved by
order of the Authority as provided in this section -

(5) For any air carrier or person controlling an air
carrier, any other common carrier, or any person en-
gaged in any other phase of aeronautics, to acquire
control of any air carrier in any manner whatsoever;

(7) For any person to continue to maintain any rela-
tionship established in violation of any of the fore-
going subdivisions of this subsection."

Subsection (b) of section 408, which requires an application to the Board
and a hearing, provides in part:

" * * * Unless, after such hearing, the Authority finds
that the * * * acquisition of control will not be consis-
tent with the public interest or that the conditions of
this section will not be fulfilled, it shall by order,
approve such * * * acquisition of control, upon such terms
and conditions as it shall find to be just and reasonable
and with such modifications as it may prescribe * * *"

19/ Revised Code of Delaware 1935, Chap. 65, Art. 1, Par. 2071, Sec. 39,
as amended by 45 Laws of Delaware (1945) Chap. 157, Sec. 3 pp. 594-598.

20/ Revised Code of Delaware 1935, Chap. 65, Art. 1, Par. 2091, Sec. 53,
as amended by 43 Laws of Delaware (1941) Chap. 132, Sec. 12, pp. 458-461.

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The Board has not heretofore had occasion to render decision upon the question whether, once an acquisition of control of an air carrier has been approved pursuant to section 408, any subsequent transaction can result in an acquisition of control which must also be approved under that section. However, in Railroad Control of Northeast Airlines, 4 C.A.B. 379 (1943) the Board in a dictum laid down an interpretation of section 408 which may be applicable to such situation. In that case, the Board found that the Boston & Maine and Maine Central Railroads jointly exercised complete control of Northeast from the date of its organization until 1936, and enjoyed full and positive control from said date until October 1940. The question presented was whether said railroads acquired control of Northeast Airlines within the meaning of section 408(a)(5) of the Act since the effective date of the Act. The Board found that control had been gradually relinquished so that on the date of the hearing the parties retained only about 4% percent of the stock of Northeast, and concluded that section 408(a)(5) did not apply to continuance or maintenance of control by said railroads where control had been acquired by them before the effective date of the Act and had since been diminished. The Board recognized:

" . . . that 'control' as used in section 408 does not necessarily depend upon the ownership of any specific minority percentage of stock or other ownership rights but rather depends, in the light of all the facts and circumstances in a particular case, upon whether there exists as a matter of fact a power to designate or, in actual designation of one legal personality by another."
(p. 251)

After concluding that it had no jurisdiction in that case because control had been acquired prior to the effective date of the Act and not subsequently increased thereafter, the Board said:

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"While we do not believe that Congress intended us to exercise jurisdiction over a control relationship created prior to the effective date of the Civil Aeronautics Act and existing unchanged from that date forward, we do believe that we possess jurisdiction in a case where the extent of effectiveness of control has increased. The term 'control' does not connote an absolute concept, but represents the amount of power and influence over the controlled corporation. The number of powers and the degree of influence which the controller hold on the effective date of the Act must be deemed approved by Congress, but a subsequent increase in the number of powers, or a strengthening of influence, does not in our opinion share this immunity. This is particularly true in a situation where the control at the time Congress acted was only partial, but becomes complete after that time. In the event of a change in control whereby different or other common carriers acquired controlling interests in an airline, this change would, of course, be subject to our approval under all of the provisions of section 408." (p. 386)

Factually, the situation under consideration in the present proceeding differs somewhat from that involved in the Northeast case. Since the railroads had acquired control of Northeast prior to the effective date of the Act, such control was recognized as lawful by the Board on the ground that it must be deemed approved by Congress. This control was not required to meet the statutory test of public interest; no pre-existing approval of control by the Board was involved. Control on the part of the railroads had not increased since the effective date of the Act. Accordingly, the Board found it unnecessary to pass upon the applications for approval of control. However, the Board insisted that it would pass upon any increase in "the extent of effectiveness of control."

Though the circumstances giving rise to the objection in the Northeast case differ from the facts herein, the present proceeding likewise raises the issue of the application of the words "increase in the extent of effectiveness of control," if the acquisition of additional shares of stock by Public would thereby enable it to exercise greater power or effectiveness of control than that contemplated under the Board's original order of approval of October 17, 1934.

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Provisions of the Civil Aeronautics Act relating to consolidation, merger, and acquisition of control were modeled after similar provisions of the Interstate Commerce Act and amendments thereto. Section 408 of the Civil Aeronautics Act was borrowed almost word for word from section 213 of the Motor Carrier Act of 1935. Section 213, on the other hand, was patterned on section 5 of the Transportation Act of 1927.^{21/} Accordingly, persuasive weight may be given herein to decisions of the Interstate Commerce Commission construing the word "control" and dealing with the concept of acquisition of control or changes in the extent of effectiveness thereof in relationships comparable to that before us in the instant proceeding.^{22/}

The Commission has rendered decisions in varying situations involving changes in the character, extent or effectiveness of control on the part of an acquirer of a carrier subject to the unification and control provisions of the Interstate Commerce Act. On brief, public counsel have submitted a survey of I.C.C. cases bearing on the general issue of the Commission's jurisdiction as affected by existing conditions of control and the measure or extent of further control sought to be established.

^{21/} 49 Stat. 362.

^{22/} 41 Stat. 481. The Motor Carrier Act became Part II of the Interstate Commerce Act. The unification and acquisition of control provisions of the Interstate Commerce Act were further revised by the Transportation Act of 1940 (54 Stat. 905). This latter Act in its Part III extended Commission jurisdiction to water carriers, while Parts I and II govern as theretofore rail and motor carriers, respectively. Section 213 of the Motor Carrier Act was repealed; its provisions were removed to Section 5, Part I. Section 5(2) to (13) now deals with unification and acquisition of control for all three types of carriers.

^{23/} Acquisition of Norquette by TWA-Regulatory Opinion 2 C.A.B. 479 (1947); American President Lines, et al., Petition, 7 C.A.B. 799 (1947); Cf. United States Aviation Co. v. United S.S. Co., 264 U.S. 474, 480-481 (1923).

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A number of the decisions involve somewhat different ownership and control relationships than under consideration herein. To the extent, however, that the various decisions hold that further control of a carrier may be acquired through stock purchases where the pre-existing control does not cover all of the corporate activities of the controlled company they constitute a rather consistent policy on the part of the Commission in requiring approval of stock purchase transactions vesting substantive rights in an acquirer of stock it did not theretofore have. In fact, several of these decisions involve situations which bear strong analogy to the circumstances present in the instant proceeding.

The Commission's holdings as to its jurisdiction with respect to applications proposing acquisitions in situations involving pre-existing control of one type or another may be summarized as follows:

- (1). Where the applicant already owns a majority of the stock more of which is sought to be acquired, Commission approval is not required where such acquisition will not result in any other or further control on the part of the acquirer.

It was so held in Control of Peoria & Eastern by St. Louis, 71 I.C.C. 767 (1922) where an application was filed with the Commission by the Cleveland, Cincinnati, Chicago & St. Louis Railway Company to purchase all the outstanding stock of Peoria not already owned by the applicant. At the time of filing of said application, applicant owned \$5,000,100 par value of Peoria's capital stock of which there was outstanding \$9,994,000 out of total authorized capital of \$10,000,000. Based upon these facts the Commission stated:

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"By paragraph (2) of section 5 of the Interstate Commerce Act, we are authorized to approve the acquisition, to the extent indicated by us, by one carrier engaged in interstate commerce of the control of any other such carrier by the purchase of stock or in any other manner specified. In this case, however, so far as appears, the purchase of the remaining stock of the carrier will not give the applicant any other or further control over such carrier than that which it had acquired prior to the enactment of the paragraph. It can only be said that the applicant, in this proceeding, is seeking to acquire that which it admittedly has heretofore acquired. We are, therefore, of the opinion that the application is not within the scope of the paragraph above referred to." (pp. 747-748).

Similar conclusion was reached in Kittrell-Control-Dixie Motor Coach Corp., 35 M.C.C. 25 (1939) where the Commission stated that a majority stockholder need not obtain approval of the purchase of additional shares of stock. The Commission in passing upon an application filed under section 213 of the Motor Carrier Act said:

"...as previously indicated, applicant already controls Sunahine through ownership of a majority of its capital stock. The proposed purchase by applicant of all additional shares of stock in Sunahine accordingly does not involve an acquisition of control of that carrier within the meaning of section 213" (p. 26).

Other decisions have followed the same rule. ^{24/} However, the Commission has assumed jurisdiction to approve control by lease where control by stock ownership, even if legally complete, already existed. ^{25/}

2. Where an acquisition by one who is already a majority stockholder of a carrier results in the domination of more activities of the controlled company than permitted a majority stockholder or in the creation of a substantive measure of additional control, the Commission has taken the position that such an acquisition is subject to its jurisdiction.

^{24/} See, in accord, Securities of Colorado & Southern, 66 I.C.C. 213, 218 (1924); Securities of Chesapeake & N. Ry. Co., 15C I.C.C. 248, 249 (1929).

^{25/} Acquisition of Control of C.V. & N.R.R. by P.R.R., 70 I.C.C. 301

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Perhaps the leading case on this proposition is Control of Pig Four by New York Central, 72 I.C.C. 98 (1922). This case involved prior control on the part of the New York Central through ownership of 52.9 percent of the common stock of the Pig Four, but none of the latter's preferred stock, which had the power to reject any increase in bonded indebtedness or any lease resulting in increased fixed charges. The Commission, in assuming jurisdiction and granting New York Central authority to acquire a majority of the preferred stock, said:

"... Such ownership (of 52.9 percent), however, does not constitute complete control, since it appears that the consent of a majority of the preferred stock is required for the issuance of the Pig Four of any evidences of funded debt or the making by it of any lease of railway property which may entail increased fixed charges. This application is made, therefore, for authority to acquire that further and more complete measure of control which will result from the ownership by the applicant of at least a majority of the preferred stock." (pp. 96-97, emphasis added).

Similarly, in Control of C. St. P. & C. Ry. Company, 105 I.C.C. 543 (1926) an application was filed under section 5(2) of the Interstate Commerce Act by the Chicago & Northwestern Railway, which then owned 56.04 percent of the stock in Omaha Railway, for authority to acquire further control of the latter road. The Commission adopted the view that further control of the Omaha Rail-

26/ Respondents argue that this and the two cases that follow are distinguishable from subject proceeding on the grounds that (a) no order of prior approval authorizing the pre-existing control had been issued by the Commission in those cases, and (b) that acquirers voluntarily applied for approval. The absence of a prior ratification by the Commission of the status of control existing at the time of the applications for approval of further control in these cases does not make irrelevant the doctrine established by this group of decisions. The Commission took the position that "control" within the meaning of the statute meant complete legal control. The existence of a prior order of approval would have been significant only to the extent that it may or could have by its terms granted the acquirer the full and complete control contemplated by the statute. Moreover, even if there had been prior orders of approval, they may not have approved degrees or elements of control not then in existence. Furthermore, the fact that the applications for approval were voluntarily made does not make those decisions, issued as such, as authority. Obviously, jurisdiction under the statute could not have been conferred upon the Commission by the parties. The Commission's power and authority to require approval is the same, whether the parties are correct, whether it acts pursuant to voluntary application or on its own motion.

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way by applicant would enable applicant to take steps toward complete unification of operations through lease or merger or consolidation, as permitted by law, and exercised jurisdiction to approve the acquisition. In Peoria & E. Ry. Co. Control, 236 I.C.C. 749 (1940) the Commission approved acquisition by applicant Cleveland, Cincinnati, Chicago & St. Louis Railway of further control of the Peoria & Eastern by purchase of additional shares of stock where the applicant already owned a numerical majority (50.02 percent) of the shares outstanding. The Commission found that while a bare majority gave the applicant a measure of control over the Peoria & Eastern, under the laws of Illinois various corporate actions, including the removal of a charter by railroad corporations, must be approved by a vote of more than such a majority. The applicant sought approval of the purchase of additional shares of stock in order to accomplish removal of the Peoria & Eastern charter in accordance with Illinois law. The purchase of additional shares was found to represent a further acquisition of control.

A case recently decided by the Commission has likewise recognized that control through stock ownership of most but not all corporate activities does not prevent the Commission from authorizing further or additional control. In Wheeling and Lake Erie Railway Company Control, Finance Docket 15685, decided June 25, 1947, an application by the Nickel Plate, the Chesapeake and Ohio Railway Company and the Allegheny Corporation was filed under section 5(2) of the Interstate Commerce Act, seeking approval of the acquisition by Nickel Plate of certain shares of stock in the Wheeling Railway Company. C. & O. and Allegheny

27/ The charter of a railroad corporation can be removed, under the laws of Illinois, by stockholder's action if three-fourths of the votes cast at any regular election for that purpose favor such removal, provided, however, that those voting for removal agree to purchase the stock of those opposed. Applicant sought approval of its plan to purchase additional shares in order to be able to vote for removal and to be in the position to make the required agreement, if necessary.

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joined in this application because of C. & O.'s direct control of Nickel Plate and Allegheny's indirect control of Nickel Plate through the C. & O. Nickel Plate is controlled by C. & O. through ownership of 77 percent of its outstanding common stock and C. & O. is in turn controlled by Allegheny through the ownership of 6.74 percent of C. & O.'s common stock. Nickel Plate's interest in Wheeling amounts to nearly 47 percent. C. & O.'s interest in it is 21 percent, and Allegheny's interest in that company is 0.01 percent. Collectively these interests aggregated approximately 68 percent. ^{28/} It was proposed that Nickel Plate purchase C. & O.'s and Allegheny's stock interests in Wheeling, which would have the effect of giving it, Nickel Plate, the approximate 68 percent ownership of that company. The Interstate Commerce Commission held, on these facts, that Nickel Plate's acquisition of further control of the Wheeling and Lake Erie Railway Company through stock ownership . . . is a transaction within the scope of section 5(2) of the Interstate Commerce Act . . .

The Commission thus found that the conversion of a 47-percent interest into a 68-percent legal ownership of the company was a transaction subject to its jurisdiction, and in so finding stated as follows:

"Protection of the Nickel Plate's interest in Wheeling might be affected through acquisition of enough of the latter's stock, 3 or 4 percent, to give the Nickel Plate a majority, or numerical control; but the applicants urge that merger or consolidation of the companies is necessary to accomplish benefits of unified operation, and for that purpose a 2/3 assenting vote is required by Ohio law." (p. 12).

^{29/} This control relationship was previously approved in Finance Docket No. 15161 et al, Wheeling & Lake Erie Railroad Co. Control, 267 I.C.C. 163 decided December 10, 1946, wherein the Commission approved the sale to Nickel Plate of 78,145 Wheeling shares beneficially owned by the C. & O. Nickel Plate thereby acquired a near 47-percent interest in Wheeling. Prior thereto the C. & O. and Nickel Plate owned 35.1 and 32.9 percent, respectively, of the voting stock of the Wheeling and all of these shares of stock were deposited in trust. Before December 1946, there therefore existed, as far as C. & O. and Nickel Plate were concerned, a separation of ownership from control. The events leading to the trusteeship of the Wheeling stock are set forth in 156 I.C.C. 607. However, by supplemental report and order in Finance Docket No. 15161, dated March 10, 1947, the Commission approved and authorized, among other things, a termination of the trust of all of the Wheeling stock acquired by Nickel Plate.

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It thus appears that the Commission recognized in this case that a change from actual to legal ownership of Wheeling, above the change referred to carried with it the power to satisfy the provisions of Ohio law with respect to a possible prospective merger or consolidation of Nickel Plate and Wheeling, that did not theretofore exist in the acquirer, was a transaction subject to its jurisdiction and for which its approval was required under section 5 of the Act.

It is true, as respondents point out, that the Commission has exercised almost continuous jurisdiction over the stock of the Wheeling railroad and, further, that the Commission, in the same proceeding in which it approved the acquisition of a 47-percent interest in Wheeling on the part of Nickel Plate, ordered the shares still owned by the C. & O. and Allegheny, representing 21 percent of the voting stock of Wheeling, placed in another trust. But it is obviously absurd to contend, as respondents do, that the terminology of the Commission in approving the acquisition by the Nickel Plate of "further control" of the Wheeling in Finance Docket No. 15665 was a mere characterization of the change from pre-existing shared control by the three carriers to individual control by Nickel Plate. On the contrary, the Commission clearly approved the "further control" on the part of Nickel Plate as a jurisdictional acquisition within the meaning of section 5(2) of the Interstate Commerce Act.^{29/}

3. An increase in the ownership of the number of shares which transforms what constitutes *de facto* or actual control into legal control represents an acquisition subject to the jurisdiction of the Commission.

^{29/} The application in Docket No. 15665 was made under section 5(2) of the Act. If no element of increased or additional control were involved the Commission should have dismissed the application for the want of jurisdiction and perhaps merely entertained an application to terminate the second trust to permit Nickel Plate to buy the remaining voting stock in Wheeling.

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Jurisdiction in this type of situation was first upheld by the Commission in Control of Columbia, Kentucky & Laurens R. R., 117 L.C.C. 213 (1926). Here the applicant, Atlantic Coast Line Railroad, already owned 45.8 percent of the stock of the Columbia, and enjoyed virtual control through the cooperation of interests friendly to the applicant, who held 7.5 percent of the stock. In spite of finding that applicant enjoyed de facto control the Commission assumed jurisdiction and approved applicant's request for further control.

In Dollar Lines - Purchase - United States Express, 120 L.C.C. 110 (1928) Pacific Greyhound Lines, owner of 40 percent of Dollar Lines outstanding stock, sought authority under section 5 of the Interstate Commerce Act to acquire control of Dollar Lines through the purchase of the remaining 60 percent of its outstanding stock. It was contended by Greyhound that it exercised exclusive actual control and management of Dollar Lines with the oral consent of the single 60 percent stockholder and that no acquisition of control was involved because the proposed purchase of 60 percent of the stock would give it no further control than that which it was already exercising.

The Commission found that Pacific Greyhound was in actual control of the company at the time of the application but rejected its argument, stating:

"Apart from the question of whether or not Pacific Greyhound acquired actual control of Dollar prior to the effective date of the Act, and which question we are not now determining, these applications seek our authority for acquisition of control of Dollar by Pacific Greyhound through ownership of its capital stock. Such acquisition of control clearly requires our prior authorization under section 5. In considering this proposal, we cannot overlook the fact that Pacific Greyhound at present holds actual control of Dollar . . . (p. 7)."

30/ This case also involved a joint application by Dollar Lines and the United States for the purchase by Dollar of the operating rights of United States.

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While the Commission disapproved the proposed acquisition on the part of Grayhound, principally because the 49-percent control was effectuated without prior Commission approval, the rule established by the decision on the jurisdictional issue involved appears sound. Grayhound was attempting to transform a working practical control into an assured legal domination of the controlled carrier. The Commission recognized that a change from actual to legal control was a substantive acquisition requiring its approval.

The Commission has required approval of increase in control in other cases involving transfer of actual control to legal control. In Hogshire-Control - H. B. & C. Motor Lines, Inc., 35 M.C.C. 33 (1939), the Commission approved an application under section 213 of the Motor Carrier Act whereby Hogshire, a 33 - 1/3-percent stockholder became a 50-percent stockholder through the retirement of 20 shares of the company's stock, leaving 40 shares outstanding equally owned. Subsequently, Hogshire sought the Commission's authority under the same section to acquire the remaining shares of stock of H. B. & C. Motor Lines. This application was likewise approved by the Commission, as consistent with the public interest, under that section. Hogshire - Control H. B. & C. Motor Lines, Inc., 35 M. C.C. 487 (1940). Similarly, in Black Hills Stages Inc. - Purchase - Black Hills Transp., 35 M.C.C. 529 (1939), the Burlington Transportation Company, a 50-percent stockholder in Black Hill Stages was permitted to acquire complete control of Black Hills Stages, through the purchase of the remaining 50 percent of its outstanding stock.^{31/}

Respondents argue that the Hogshire and Black Hills decisions are irrelevant to the problem before us because they involve changes from shared control to individual control. It is much the same claim of inapplicability that

31/ Prior to the approval, the Commission had permitted Burlington Transportation to acquire control jointly with Black Hills Transportation Co. of Black Hills Stages (35 M.C.C. 171).

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respondents attempted to apply to the Wheeling case, *supra*. The argument proceeds on the premise that where several parties each own a control of a carrier, the purchase by one of the interest of another is, both practically and legally, the acquisition of "a control" by the purchaser. In other words, it is contended that the acquisition of "complete" or "further" control referred to by the Commission in these cases simply represents the acquisition by the purchaser of the remaining interests in the controlled carrier.

This is by no means so. As already noted in the comments on the Wheeling case, the Commission specifically treated the transfer of interests involved in this type of situation as jurisdictional acquisitions within the meaning of the statute. True, the Commission did not elaborate on its reasons for so doing. But there would appear to be no reason why an acquiring stockholder could not secure an additional quantum of control through an acquisition of stock from one or more stockholders of a controlled carrier rather than from the corporation itself.

4. A change from indirect to direct control through the elimination of an intermediate controlled subsidiary or through a change in the form of ownership may constitute an acquisition subject to the jurisdiction of the Commission.

Subject preceding, of course, does involve any change in the corporate person of either the acquirer or the controlled carrier. But this line of decisions reveals how far the Commission had gone in refusing to restrict its authority on the issue of jurisdiction under section 5 of the Interstate Commerce Act. It in effect placed changes in the form or character of control on par with transactions increasing the power of control on the part of an acquirer.

The leading case on the foregoing type of control situation is Richison.
T. & S. Ry. Co. - Control - Santa Fe Trail Transp., 15 M.C.C. 469 (1938). In that case an application under section 213 of the Motor Carrier Act for approval of acquisition of stock of the Santa Fe Trail Transportation Company was made

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indirectly controlled the motor carrier through a lease holding company, and it was desired to change the form of control from indirect to direct. The projected change was to be accomplished by the railroad's purchase of approximately 55 percent of the Transportation Company's stock from the General Improvement Company, a wholly-owned subsidiary of the railroad. The certificate was made at the hearing by certain intervenors that where a railroad controls a motor carrier indirectly through a subsidiary company it is not necessary that approval be given by the Commission for the acquisition of control, the argument being that once a railroad has acquired control, of whatever character, of a motor carrier, it may modify or shift the form of control without Commission approval or authorization under section 213, because it was not thereby acquiring anything within the meaning of that section. In assuming jurisdiction and approving the acquisition, the Commission took the position that section 213(a)(1) must be read as a whole. It wrote as follows:

"It is clear that one of the purposes of the section is to make sure, if an acquisition of control is approved, that its terms and conditions shall be just and reasonable. However, if a railroad could secure approval of an acquisition of indirect control upon terms which we find to be just and reasonable, and could then, without our supervision, shift such indirect control to direct control, it could at the same time also, by means of such transaction, in effect modify the terms and conditions upon which control is held. For this reason we believe that to give effect to the obvious intent of the section a change in character of control must be regarded as a transaction requiring our approval and authorization under section 213(a)(1). It is evident that otherwise a control consistent with the public interest might be so changed as to become inconsistent therewith. As a further illustration of what might happen, a desirable direct control might be shifted to an undesirable indirect control." (pp. 471-472)

As the foregoing language indicates, the Commission has taken the position that a conversion of indirect control over a carrier to direct control may in effect modify the terms and conditions imposed in an order of approval and therefore represents a change in control subject to the Commission's authorization.

Other decisions of the Commission followed the Allegheny case. In State v. Erie & Ohio Railway Company - Purchase, 361 U.S.C. 239 (1945) the Allegheny Cer-

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acquire control through the Chesapeake and Ohio of the properties of the Norfolk Terminal and Transportation Co. In holding the application of Allegheny subject to approval under section 5 of the Interstate Commerce Act, the Commission said at page 267:

"The two applications contemplate a change of existing control in that the Chesapeake & Ohio would control, through purchase, the properties of Terminal, instead of control through stock ownership and by lease, and Allegheny's control of the two companies would likewise be changed. Such 'internal re-arrangement of corporate structure' must have our approval under section 5(2) of the Act or be unlawful."

Thus, the Commission in this case recognized that while Allegheny indirectly controlled both companies, as a result of the proposed transaction its control was to be changed, through purchase, and that an acquisition of control would take place under section 5 of the Interstate Commerce Act.

An indication of the extent to which the Atchison doctrine has been applied is shown in Standard Freight Lines, Inc. - Morger, 40 N.C.C. 41 (1945). In that case Standard Freight Lines and Pates' Motor Transport sought authority under section 5 of the Interstate Commerce Act to merge the operating rights and properties of Pates into Standard. One Chaddick, who controls Standard through ownership of all its stock and who controlled Pates through ownership of 65.3 percent of its stock, filed application to acquire control of the operating rights and properties of Pates through the merger. The Commission in that case held, citing the Atchison case, that although Chaddick already controlled both of the carriers involved, such control is at present exercised over separate entities and the proposed merger would result in the change in the form of that control through unification of the properties in Standard. It stated at page 42:

22/ For other I.C.C. cases following the theory of the Atchison case see: North Pacific Co. - Control - Encliff Motor Trucking Co., 25 N.C.C. 121, 122; Grayhound Corporation - Control - Terrace Grayhound Lines, 35 N.C.C. 100; International Carriers Co. - Control - State Carriers, 37 N.C.C.

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"The fact that the instant merger would result only in a formal change in the manner in which Chaddick exercises his control over the properties of Fates does not negative the fact that such change in the form of this control is a transaction subject to section 5, just as the merger itself is such a transaction."

Commissioner Miller dissented, pointing out that Chaddick's acquisition of control of operation rights and properties of Fates through the merger added nothing to the control which he already had over that company. The majority, however, held Chaddick a necessary party applicant in the proceeding requiring the Commission's authorization for the change in the form of his control.

The foregoing class of cases establishes that where the form of control has been altered through change from indirect to direct control or through a change in the character of the person or corporation holding control, the transactions are subject to Commission approval. In other words, the Commission has gone as far as to hold that certain changes in the form of control as well as increases thereof are subject to its approval.

There is perhaps another aspect of the problem here presented which bears upon a determination of whether or not the Board has jurisdiction. It concerns the power of the Board to maintain continuing authority over control relationships previously approved by it under section 478 of the Act. It is evident from the language of the Archibald opinion that the Interstate Commerce Commission feels it needs to maintain continuing jurisdiction over control relationships approved by it. The Commission acknowledged the necessity of a continuing power to enforce such terms and conditions as it might prescribe in approving an acquisition of control.

It is true that the Board advised Tooles that the transaction embodied in the letter agreement was not the kind of commercial transaction intended to be governed by the terms and conditions of the original order of approval and, accordingly, its approval by the Board of the loan or other provisions of the agreement

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23/ was deemed necessary under the order. But the Board further advised respondents that its advice was not to be construed as a determination that approval by the Board under section 408 of the Act was not required. 24/

The fact that the letter agreement fails directly to affect the terms and conditions of the original order of approval does not dispose of the question of the extent to which we can rely on the doctrine of continuing jurisdiction in the present proceeding. One approach to this problem rests on the proposition that the power to impose reasonable terms and conditions under section 408 impliedly gives the Board continuing authority to prescribe new terms and conditions in the event of any material change in relationship previously approved, as well as power to see to it that the terms and conditions originally imposed are followed. There, however, may be another basis in the Act for asserting the doctrine of continuing jurisdiction.

Without exploring the several situations where an administrative order has or should have the effect of finality, it may be safely stated that the judicial concepts of res judicata and equitable estoppel do not ordinarily apply to administrative determinations. In the present situation, resort can be had to the statute under which the Board operates to determine the effects of decisions thereunder. Section 1005 of the Act provides grounds for vesting a continuing

25/ By letter, dated January 22, 1947, after both Toolco and ITA had requested approval of the transaction under the terms of the order of approval entered in Docket No. 1182.

26/ Assuming the transaction entered into under the letter agreement requires an additional acquisition of control pursuant to section 408, query whether failure of respondents to make application for approval under that section does not constitute a violation of the Act.

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power upon the Board to take account of events following approval of control relationships under section 408.^{35/} Courts, of course, have always enjoyed the power to modify or even revoke their judgment or decree during the term of court when the judgment or decree was entered.^{36/} If it can be concluded that section 1005 vests the Board substantive rather than ~~procedural~~^{procedural} powers, then there is a considerable analogy between the control of orders by a court during the term in which they were rendered and the control by the Board of its orders at all times.^{37/}

It is next necessary to examine the present Toolco-TWA relationship to determine whether Toolco has acquired any greater control over the carrier than that contemplated by the Board's order of October 17, 1944. Obviously, if neither the letter agreement of January 8, 1947, nor any change in the aeronautical activities of Toolco since October 17, 1944, has resulted in any further acquisition of control of TWA within the meaning of section 408 of the Civil Aeronautics Act there is nothing in this proceeding for which Board approval is required under that section. However, the word "control" as used in the Act may embrace every form

^{35/} Section 1005(a) provides, in part, that orders of the Board "shall continue in force until further order Section 1005(d) empowers the Board "to suspend or modify its orders upon such notice and in such manner as it shall deem proper." It will be argued no doubt that the provisions of section 1005 are intended to be merely procedural. But its language can reasonably be construed as a grant of authority to change not only orders having a procedural effect but also those affecting substantive interests. Significant in this connection is the fact that the section contemplates that some changes may be made upon notice. Moreover, it seems that if section 1005 were intended only to provide a procedural mechanism for the exercise of substantive powers, granted elsewhere in the Act, it would have been couched in language similar to that of section 305. There the Board is empowered, among other things, to amend orders where the amendment is deemed "necessary to carry out such provisions of the Act" and to exercise and perform its powers and duties under this Act." No such language will be found in section 1005.

^{36/} *Zimmerman v. United States*, 298 U.S. 167, 169 (1936).

^{37/} *Holstetter v. Chicago, St. P. & N. W. Ry. Co.*, 115 F. 727, 214 N.W. 748, 749 (1927); *cf. Brennan v. W-11*, 122 F. 2d, 128 (C.C.A. 7th 1941), cert. denied 314 U.S. 469 (1941); *Federal Trade Commission v. Kay*, 35 F. 2d 100 (C.C.A. 7th 1929) cert. denied 261 U.S. 964 (1923); *National Labor Relations Board v. Baltimore T. Co.*, 149 F. 2d 51 (C.C.A. 4th 1944), cert. denied, 321 U.S. 795 (1944).

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of control, actual or legal, direct or indirect, negative or affirmative. It also includes the power to control whether that power is currently used or can be exercised in the future. ^{38/} Finally, irrespective of whether subject transaction has resulted in further acquisition of control under section 4CS, it appears appropriate to inquire whether the applicable law confers upon the Board continuing jurisdiction over control relationships already approved by it under said section.

CONCLUSIONS

The record in this proceeding indicates that there has been no significant change in the activities of Toolco in the field of aeronautics since the Board's original order of approval of October 17, 1944. While it is clear that Toolco continues as a person engaged in a phase of aeronautics under section 4CS of the Act, there has been no change in its aeronautical activities since said date for which Board approval is required.

The record shows, however, that the letter agreement clearly resulted in an immediate increase in the effectiveness of Toolco's control over TWA. Following the acceptance of the letter agreement by TWA and pursuant thereto, the TWA board of directors was reconstituted. The directors who were added were all nominees of Toolco. Through the reconstituted board Toolco achieved, for the first time, since its control of the carrier was approved by the Board, unquestioned domination of the management of the carrier. There then followed significant changes in the management of the affairs of the carrier, including, among other things, a replacement of the top management of TWA, a modification of its internal organizational framework, and certain changes in the day-to-day operation of company.

^{38/} See, e.g., Alcoa, Inc. v. American Cyanamid Co., 4 C.A.E. 803 (1943); and cases there cited; Re the Detroit Edison Company, 7 S.E.C. 908 (1942).

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There is no doubt of Toolco's desire of certain changes in TMA before injecting additional money into the carrier, and that, in the absence of the letter agreement Toolco or its representatives could not have brought about changes made prior to the date of the annual stockholders' meeting on April 24, 1947. On April 24, Toolco took steps that promised to assure it of authority to enforce its policy decisions respecting the operations of the carrier. The board of directors, the majority of whom were well known to the principal stockholder. The by-laws of the carrier were amended. These amendments were definitely designed to prevent any future impasse between the principal stockholder and the TMA board.

It appears certain that on April 24, 1947, Toolco could have accomplished as effective a reconstitution of the TMA board as was achieved pursuant to the letter agreement. As a matter of fact, at the April 24 annual meeting of the stockholders, called under the pre-existing by-laws, Toolco accomplished a change in the board of directors under which there exists very little probability of conflict with Toolco policy for TMA. Nevertheless, during the interim period, January 9 - April 24, 1947, the letter agreement made possible the unity of management control which Toolco was able to exercise over the carrier after the acceptance of the agreement. However, since all the management powers assumed by Toolco as a result of the January 9 agreement could have been exercised in any event not later than April 24, such increased or additional control as took place during this short period would hardly require approval under the Act. It would be straining the language of section 406(a) to say that this

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is the "control" intended to be covered by the Act. Insofar, therefore, as the letter agreement of January 9 may be considered as affecting matters of management control of TIA by Toolco during the period from January 9 through April 24 of 1947, it probably did not more than to accomplish, on and after January 9 what Toolco could and would have done without the agreement on April 24.

However, the \$10,000,000 loan made to TIA under the agreement carries the right on the part of Toolco to have the debt retired by converting it to common stock. It has been noted that this letter agreement thus gives Toolco a right to acquire up to a possible 80 percent of the common stock of TIA. This right rests solely at Toolco's option unless bankruptcy ensues. Accordingly, it becomes necessary to determine whether the acquisition or potential acquisition, wholly on Toolco's option, of the substantially greater stock interest in TIA represented by shares acquirable through conversion of the debt has resulted in any change in the extent or effectiveness of control of Toolco of TIA.

Reference to the I.C.C. cases hereintofore summarized reveals that where there had been a substantial increase in the extent, effectiveness or power of control through stock purchases, the additional control which resulted therefrom required approval by the Commission. This doctrine is supported by a number of the I.C.C. cases reviewed. These cases all discount the argument that where control in one form exists, a change in that control or an increase thereof need not be approved. The decisions rendered in four of the cases, in particular — the Big Four, Control of the P., W. & O. Ry., the second Florida & Eastern, and the Wheeling cases —

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have definitely established the proposition that the creation of a substantial measure of additional control in an acquiring stockholder, whose pre-existing control was for one reason or another legally incomplete, represents an acquisition subject to the approval of the Commission under the Interstate Commerce Act. Factually, as already pointed out, these cases are not "on all fours" with the instant proceeding. But the facts which grounded the decisions on the jurisdictional issue before the Commission in each of them are strikingly similar to the situation before us and the cases are therefore authority for the doctrine that pre-existing control, unless legally complete, does not preclude an additional acquisition for which further approval is required. Moreover, the scope of the Board's dictum in the Northwest case plainly indicates that there can be a transaction amounting to an acquisition of control of an air carrier which must be approved by the Board under section 403 of the Act, even though the Board has approved a prior acquisition of control of such air carrier by the same person.

There can be little dispute with the proposition that "control" of a corporation means power to dictate the complete action of the corporation. Under Delaware law, Toole, with a majority stock ownership in TIA can, alone and on its own initiative, perform such important corporate acts as amending TIA's certificate of incorporation by adding to or decreasing its corporate powers, or by substituting certain powers and purposes in place of those already present therein, or by increasing or decreasing its authorized capital stock or reclassifying it, or by making other changes or alterations in said certificate. Further, a two-thirds common stock interest in TIA would enable Toole, for the first time, and under only its

voting power, to satisfy the provisions of Delaware law with respect to such vital matters as merger, consolidation or dissolution of the carrier. Accordingly, the acquisition or potential acquisition, wholly at Toolco's option, of a majority or two-thirds stock ownership in TLA creates in Toolco, alone, the power of change and of life and death over TLA.

It thus comes to the crux of this case. It is clear that the letter agreement of January 9, insofar as it gives Toolco the option to acquire a substantially greater stock interest in TLA, thereby enabling it to execute any of the corporate activities or powers conferred by Delaware law upon a majority or two-third owner of a Delaware Corporation, represents in fact a change in the extent of effectiveness of control and constitutes in law an acquisition of control, unless it can be shown that the control approved by the Board in Docket No. 1182 was, for all purposes, complete or absolute control.

Respondents rest their case principally upon the proposition that the Board in Docket No. 1182 approved the highest possible degree of control. They contend that the effect of the Board's order was to permit Toolco to acquire TLA common stock without any limitations as to the amount of stock, time of purchase or any other factor. In other words, it is argued that the Board's order in Docket No. 1182 approving control encompasses and covers the very type of transaction represented by the letter agreement of January 9. Respondents further contend that even if this were not true, Toolco has, after the date of the original approval of control, at all times exercised complete legal control since the Board always voted by Toolco "plus the management practices" at each meeting have consistently constituted more than two thirds of the out-

standing stock of TVA.

To determine whether the Board intended to approve blanket, unlimited control in future by Toolco over TVA, it is necessary to examine the Board's concept of the "control" it ratified in other acquisition proceedings before it under section 408 and to analyze the language of the Board's opinion and order in Docket No. 1162.

The Board has in various acquisition cases set forth its interpretation of the word "control". It has recognized that control does not connote an absolute concept; that it may apply to and cover a great variety of situations; and that it represents the amount of power and influence necessary to give its possessor substantial influence over the controlled corporation. The Board has also recognized that the quantity or degree of control may change. For example, in the Forthright case, the Board acted that the measure of control may increase. In another proceeding it recognized that changed circumstances following a period of effective control resulted in a reduction in the quantity of control. Thus, in the Aerovias de Guatemala case, the Board considered an application of Pan American Airways relating to its ownership of 40 percent of stock in Aerovias, a Guatemalan carrier. The Board found that Pan American in fact did control the carrier for a period of time. Subsequently, Pan American's holdings in Aerovias were materially reduced. This reduction in Pan American's holdings, plus other changes in the relationship between the parties, represented so substantial a change in

39/ Railroad Control of Northeast Airlines, supra; Pan American Airways, Inc. v. Aerovias de Guatemala, supra; Pan American Airways, Inc. v. Aerovias de Mexico, 4 C.A.R. 494 (1943); Pan American Airways, Acquisition of China National, 6 C.A.R. 143 (1944).

Pan American's influence over the carrier that the Board concluded that Pan American no longer controls Aerovias. The Board clearly recognized that "control" is not a static concept. It said:

"... It is apparent that where the word 'control' is used in a public utility statute without any qualification or limitation, the legislature did not intend any artificial restrictions should be placed on its meaning. Thus, the existence of 'control' is a factual matter to be ascertained by a weighing of all of the evidence in each particular case and the drawing of reasonable inferences and conclusions therefrom, in the light of the objectives and purposes of the statute. It is therefore important in this case, among other things, to scrutinize all of the facts and circumstances which resulted in Pan American's acquisition of 40 per cent of Aerovias' stock, and to ascertain what rights, if any, such stock interest gives to Pan American in the conduct of the affairs of Aerovias. This necessarily requires a careful examination into the past and present relationship between Aerovias and Pan American, including a full inquiry into all transactions between the two companies." (page 4C5).

It is obvious that the Board, in passing upon an application for approval of an acquisition of control under section 4C8, does not concern itself with more than the specific degree of control involved in the situation before it. Ordinarily, the Board would ^{not} and could not grant approval of an acquisition in future unless the issue was raised during the adjudication of the proceeding or at best recognized by the Board in its opinion or order. Whether the scope of approval granted in Docket No. 1182 has had the effect of approving all future acquisitions must be resolved from the action of the Board in that case.

After reciting the number and per centum of its capital stock interest in TWA, TWA's application in Docket No. 1182 for approval of control of the carrier, requested "approval by the Civil Aeronautics

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Board, if such approval is deemed necessary, of the control by the applicant^{40/} of Transcontinental & Western Air. Presumably the control referred to was the measure of control existing at the time of the application.

Examination of the briefs of Public Counsel and of Toolco, the report of the examiner, and the Board's opinion and order in Docket No. 1182 reveals that all parties to the proceeding concerned themselves with the control relationship then present. Throughout the entire proceeding, an acquisition as of that time was in contemplation of the parties. Thus, Public Counsel urged that "the acquisition of control"^{41/} of TWA by Toolco be approved, subject to such terms as he proposed. Counsel for Toolco spoke of the "control here involved"^{42/} in urging approval. The examiner likewise viewed the control relationship in terms of the stock interest that Toolco then owned in TWA. However, for the most authoritative evidence of the precise relationship approved in that proceeding resort must be had to the final action of the Board.

It is elementary that in interpreting an administrative order it is necessary to construe the order and the accompanying opinion or report as a whole. Therefore, the Board's order in Docket No. 1182 must be read in the light of the opinion upon which it was based.

In arguing that Board approval in this proceeding is not required respondents rely heavily upon the specific language used by the Board in

^{40/} Paragraph 4 of application filed November 19, 1943; emphasis supplied.

^{41/} Brief of Public Counsel, Pages 12 and 27; emphasis added.

^{42/} Brief on behalf of Toolco, page 3; emphasis added.

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its order of approval. Pointing ~~essentially~~ to words set forth in the introductory paragraph of the order (see footnote 5, supra) respondents ~~insist~~ ^{insist} the Board approved "the acquisition of control, by the purchase of common stock" of TTA. And it is this language, the contention continues, which indicates an intention on the part of the Board to grant approval of unlimited control in future through the acquisition of stock.

The words of the introductory paragraph referred to are merely descriptive of the application of Toolco in that case. It is true that the Board ordered the application so described be approved. However, the terms of the order, must, as already noted, be read in the light of the Board's opinion.

The Board's opinion in Docket No. 1182 recites that "control" for the purpose of that proceeding was stipulated, and the principal issue facing the Board for decision was whether Toolco, the acquirer, was a person engaged in a chase of aeronautics, within the meaning of section 408(a)(5) of the Act. Finding that to be the fact, and together with the fact that the controlled corporation was an air carrier, and that "control" was stipulated, the Board approved the relationship subject to certain limitations relating to commercial transactions between Toolco and TTA.

The Board's opinion carefully described Toolco's history of stock ownership in TTA from 1939 to the date of the opinion, when Toolco, the Board recognized, owned 45.6 percent of the shares then outstanding. The Board's findings with respect to the control relationship involved were in terms of the amount of stock interest then owned by Toolco. The

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Board said:

"For the purpose of this proceeding applicant (Toolco) concedes that the stock now owned constituted control of the carrier. There is very little room to doubt that for all practical purposes such control has existed since the end of 1940 at least when 42.1 percent was owned. Ownership of so great a proportion of outstanding stock, the remainder of which is dispersed among many owners, represents such a dominating influence in the affairs of the corporation that, in the absence of circumstances indicating the contrary, control either affirmative or negative, must follow. Much smaller interest have been found so to result." (Supra. p. 154 emphasis supplied)

After making other findings on various aspects of relationship before it, the Board concluded:

"see we find that acquisitions of control of TTA by Hughes Tool through the purchase and ownership of a stock interest therein will not be inconsistent with the public interest" (Supra. p. 157, emphasis supplied).

It is clear from the foregoing that the board did not and could not have intended complete, in future approval of the relationship between Toolco and TTA. The decision clearly relates to the quantum of control represented by the then ownership of common stock in the controlled company. Doubtless it will be argued that the Board would have used the phrase "the stock interest" had only the then existing stock ownership been covered by its approval. Contrariwise, it can be contended that had the Board intended approving such control as would have been covered by an unlimited acquisition of stock in the future it would have used the words "any stock interest". It would be possible to further play upon the words used in the order and opinion originally granted approval. Suffice it to say that the words "a stock interest" when read in the context of the entire opinion, clearly denotes the specific ownership

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relationship existing at the time of Toolco's original application.

It must also be recognized that merely because the Board approved Toolco's control flowing from the ownership of 45.6 percent of TIA's common stock, Toolco need not come before the Board with the purchase of each successive share of stock. As a matter of fact, the record shows that between October 17, 1944 and June 30, 1947, Toolco made small acquisitions (and sales) of TIA stock. ^{23/} Obviously, minor acquisitions not substantially affecting the measure of control need not have successive approvals. However, conversely, the Board's approval of a specific control relationship, upon certain facts and conditions, does not obviate the necessity of approving a further acquisition resulting from a significant increase in the extent or effectiveness of control. This position is given point by the fact that the Board has no jurisdiction over the issuance of airline securities. If the law in this regard were otherwise securities which Toolco could acquire pursuant to the latter agreement would be controlled. But the potential stock interest represented in the 10 million dollar loan to TIA is not controlled. Through this transaction Toolco has attained new and highly important substantive rights over the carrier. The transaction, therefore, has created another acquisition of control, subject to the Board's jurisdiction. ^{24/}

^{25/} The percentage of outstanding TIA stock held by Toolco between said dates never varied more (or less) than by 1 percent from the amount held on October 17, 1944.

^{26/} The very fact that the Board issued its order of investigation in this proceeding negates the argument of respondents that the Board completed its order of October 17, 1944, to constitute an unlimited, ^{27/} of Toolco's acquisition of control of the carrier.

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Let us restate the foregoing in another way. Perhaps it can be more simply expressed. To begin with, it is obvious that factually there can be more than one acquisition of control. The I.C.C. cases reviewed make that clear. The Toolce-TWA situation itself demonstrates that proposition nicely. In 1944 a 45 percent stock interest gave Toolce a certain degree of power or control over the corporate activities of the carrier. In 1947 an indefensible option to acquire up to a possible 87 percent stock interest gave Toolce a substantially greater degree of power or control over the corporate activities of the carrier. It follows then that factually there was another, further or second acquisition of control. This is true regardless of the interpretation placed upon the original order of approval; factually, the situation before us involves a further or second acquisition regardless whether or not there legally has been such another acquisition. In other words, there has been a further or second acquisition as a matter of fact, even if it could be successfully established that there has not been such an acquisition as a matter of law.

Now, we have seen that it is also possible to have a further or second acquisition of control as a matter of law. The Interstate Commerce Commission has so held in numerous cases. The Board said so in the Northeast case. To determine whether there has been another acquisition as a matter of law on the part of Toolce under the transaction of January 9, 1947, we must look to see what the Board originally approved in 1944. It is clear that it approved the acquisition that was then before it; it could not at that time have approved or reasonably anticipated an acquisition which took place some three years later. The Board's original order of approval, when read in light of the report of the case and the record upon which it was based, cannot be interpreted to have contemplated a blanket approval of any and all subsequent acquisitions. The record in Docket No. 1122 is clear to the effect that the issue of approving complete, blanket, control in

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settle an issue which was never raised or recognized, the argument that the Board approved the highest degree of control must fail.

The further basis for respondent's argument that Toolco's control over TJA has not increased and cannot increase may be very briefly set at rest. It turns upon the claim that Toolco, by controlling management proxies since October 17, 1944, has, together with such proxies, had the power to take any corporate action necessary with respect to the carrier in compliance with Delaware law. An answer to this claim requires the distinction between having the required voting power under Delaware law upon the vote of Toolco alone as against having such power dependent upon the use of proxies to vote stock owned by others, who may not always acquiesce. Further, while Toolco has been able to secure proxies sufficient to enable it to control the day-to-day affairs of the carrier, it may not be able to obtain that acquiescence in matters such as a merger, consolidation or dissolution of the carrier. But even if it be assumed that Toolco could at all times obtain sufficient votes to put in effect any desired corporate action, the fact remains that the letter agreement, through the retirement of the indebtedness therein created by conversion to stock, makes unnecessary any dependence upon other stock interests in TJA. Certainly, therefore, a control relationship has been established where the controlled company, which formerly responded to orders from one person with assistance from others by proxies, or otherwise, now responds or can respond to one person at its sole instance.

There is no doubt that an assertion of jurisdiction in this case clearly can stand on the proposition that the transaction carried in the letter agreement of January 9 has resulted in "an acquisition" of control within the meaning of section 4. The fact that an increase in the extent or effectiveness of control over TJA is present by virtue of the terms of the letter agreement and that that increase constitutes a further acquisition as a matter of law are sufficient to require the

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with the vindication of the public interest in so important and dynamic a field as civil aviation has the responsibility of asserting all such powers as the law gives it to effectuate the policy committed to its care. Accordingly, the examiner urges that the Board consider whether under the provisions of the Act it may also assert authority over the matter in issue in this proceeding on the ground that it has continuing jurisdiction over control relationships previously approved by it under section 408.

It can be plausibly argued that the continuance of the public interest of a previously ratified control relationship is a condition precedent to any approval of an acquisition which the Board may grant under section 408 of the Act. There is of course an overriding public concern in seeing to it that control of an airline is not exercised in a manner inconsistent with the objectives set forth in section 2 of the Act. A person acquiring control, it may be argued, should not be allowed to frustrate the purpose of the statute by acting, subsequent to the acquisition, in a manner which would have prevented approval of the acquisition in the first instance.

45/ Strong support for continuing jurisdiction on the part of the Board can be found in the following statement made at the hearing by Thomas A. Black, counsel for Teelco in this proceeding: "Of course the Board has jurisdiction. It knows it has jurisdiction. I will concede the Board has jurisdiction. The question is not whether it has jurisdiction, but whether in this case it should do anything about its jurisdiction. The Board could unquestionably enter an order and say, 'Here, we want to reopen this thing and look at the whole picture, bring that in and let us have a look at it,' but that is not the question here, whether the Board has jurisdiction. It is a question of whether it is called upon in view of the letter of January 8th to call its jurisdiction into force and to do something about it, and the two thoughts and concepts are as far apart as day and night." A similar position was taken by George A. Spater, counsel for Teelco in the proceeding under Docket No. 1182. In a letter addressed to the Board under the date of August 14, 1944, protesting a condition proposed by Public Counsel for incorporation into the order of approval, Mr. Spater argued that Public Counsel failed "to appreciate (1) the practical considerations involved in this case and (2) the significance of the continuing jurisdiction of the Board with its power to prevent any over-reaching." As to the second point, Mr. Spater said: "... the attention of the Board is directed to its ability to retain continuing jurisdiction over the relationship between Hughes Tool Company and Teelco. The Board could at any time re-

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The foregoing is not to imply in the least that the further acquisition of control of TMA by Toolco may not be consistent with the public interest. That issue is not before us here. It is merely intended to explore the possible existence of a continuing power on the part of the Board to review a prior approval of an acquisition under section 408 in the absence of a specification in the order of approval reserving such authority.

As already noted, section 408(b) provides that the Board may impose in an order approving an acquisition such terms and conditions as it shall find just and reasonable. Section 1005(a) provides, in part, that the orders of the Board shall continue until its further order; section 1005(d) authorizes the Board to modify its orders. It may therefore be argued that sections 408 and 1005 read together, plus the implied power of the Board to require that an approved acquisition is exercised in a manner consistent with the high purposes of the Act, confers upon the Board continuing control of the relationships previously ratified by it and authorizes it to amend prior orders of approval to impose such new terms and conditions as it may deem necessary. Perhaps the foregoing is the rationale which prompted Toolco's counsel in the present proceeding to concede that the Board has continuing jurisdiction and which moved counsel in the original case to urge that the Board had and would retain continuing control over the Toolco-TMA relationship.

No doubt the contention will be made that the Board is foreclosed here from relying on section 1005 since the order instituting this proceeding falls specifically to state that this section of the Act is involved. But in addition to specifying the issues involved under section 408 of the Act, the Board's order of investigation of February 7, 1947, also has as one of its recited purposes the entry of "any such order or taking of any such further action as may be appropriate pursuant to the provisions" of the Act. This proceeding can there-

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rely on section 4035 to assert continuing jurisdiction.

The examiner suggests that the Board has continuing jurisdiction irrespective of the existence of a further acquisition. However, since the facts and the law so clearly establish an additional acquisition as a result of the transactions embodied in the letter agreement, it is urged that jurisdiction herein be asserted on the ground that Trolce has acquired further or additional control of the carrier.

Accordingly, it is concluded that the letter agreement of January 3, 1947, insofar as it gives Trolce the right to acquire additional stock interest in TVA, thereby vesting Trolce with certain substantive rights over the carrier it did not theretofore possess, represents such an increase in the extent or effectiveness of control over TVA that it must be considered "an acquisition of control" within the meaning of section 403 of the Act.

RECOMMENDATIONS

It is recommended that the Board find that the transactions evidenced by the letter agreement of January 3, 1947, have resulted in a further acquisition of control over TVA on the part of Trolce under section 403 of the Act. It is further recommended that a subsequent hearing be held to determine whether such a further or additional acquisition of control is consistent with the public interest and fulfills the conditions of said section 403.

AGREEMENT made this 27th day of March, 1948, by and between HUGHES TOOL COMPANY, a Delaware corporation (hereinafter called "Hughes"), of the first part, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, BANK OF THE MANTATTAN COMPANY, BANKERS TRUST COMPANY, CALIFORNIA BANK, CENTRAL HANOVER BANK AND TRUST COMPANY, THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, THE FIRST NATIONAL BANK OF BOSTON, GIRARD TRUST COMPANY, MELLON NATIONAL BANK AND TRUST COMPANY, J. P. MORGAN & Co. INCORPORATED, THE NEW YORK TRUST COMPANY, THE PHILADELPHIA NATIONAL BANK and SECURITY-FIRST NATIONAL BANK OF LOS ANGELES (hereinafter called the "Lending Banks"), WRIGHT AERONAUTICAL CORPORATION, a New York corporation (hereinafter called "Wright") and CURTISS-WRIGHT CORPORATION, a Delaware corporation (hereinafter called "Curtiss"), all of the second part, LOCKHEED AIRCRAFT CORPORATION, a California corporation (hereinafter called "Lockheed"), of the third part, TRANSCONTINENTAL & WESTERN AIR, Inc., a Delaware corporation (hereinafter called "TWA"), of the fourth part, and BANKERS TRUST COMPANY, a New York trust company, as agent under a certain Credit Agreement between the Lending Banks, Wright, Curtiss, Lockheed and TWA (said Credit Agreement being hereinafter called the "Credit Agreement" and said agent being hereinafter called the "Agent"), of the fifth part,

WITNESSETH:

WHEREAS Hughes is the owner of \$10,000,000 principal amount of Subordinated Convertible 2¾% Notes (hereinafter called the "Convertible Notes") of TWA, issued and outstanding pursuant to an agreement dated January 31, 1947 between Hughes, TWA and The Equitable Life Assurance Society of the United States (hereinafter called the "Three-Party Agreement"); and

WHEREAS TWA owns nine (9) Lockheed Constellation Model 049 aircraft (hereinafter called the "049 Aircraft") in respect of which TWA is indebted for the unpaid balance of the purchase price upon its promissory notes payable to Lockheed now held by Bankers Trust Company and Mellon National Bank and Trust Company, two of the Lending Banks; and

WHEREAS TWA deems it desirable to purchase from Lockheed twelve (12) Constellation Model 749 aircraft (hereinafter called the "749 Aircraft") and spare parts therefor (hereinafter called the "Lockheed Spare Parts") and from Wright, forty-eight (48) Wright 749C18BD1 engines (hereinafter called the "Engines") and spare parts, tools and equipment therefor (hereinafter called the "Wright Spare Parts") and from Curtiss seventeen (17) Curtiss 632S-A14 propeller assemblies (hereinafter called "Propellers") and spinners, spare parts, tools and equipment therefor (hereinafter called "Curtiss Spare Parts"); and

WHEREAS TWA has arranged, for the purpose of assisting it in refinancing the debt held by Bankers Trust Company and Mellon National Bank and Trust Company above referred to and for the purpose of assisting it in financing the purchase of the 749 Aircraft and Lockheed Spare Parts, to borrow under the Credit Agreement sums up to \$16,276,942.50 from the Lending Banks acting through the Agent upon its promissory notes (hereinafter called the "Bank Notes") payable to the Agent and, for the purpose of assisting it in financing the purchase of the Engines, Wright Spare Parts, Propellers and Curtiss Spare Parts, the extension of credit by Wright and Curtiss up to \$2,300,000 and \$200,000, respectively, upon its promissory notes (hereinafter called, respectively, the "Wright Notes" and the "Curtiss Notes") likewise payable to the Agent (the Bank Notes, Wright Notes and Curtiss Notes all hereinafter collectively called the "Notes"), all to be secured by an Indenture of Chattel Mortgage between TWA and Bankers Trust Company as Trustee (said Indenture and all indentures and chattel mortgages supplemental thereto executed and delivered to confirm the lien of the original Chattel Mortgage on the property of TWA now owned and therein specifically described and on the property of TWA to be hereafter acquired as contemplated by the Chattel Mortgage as originally executed being hereinafter called the "Chattel Mortgage" and said Trustee being herein called the "Mortgage Trustee"); and

WHEREAS TWA proposes and intends fully and effectively to transfer, grant, bargain, sell, mortgage, and pledge to the Mortgage Trustee for the security of the Notes, the 049 Aircraft, the 749 Air-

craft, the Lockheed Spare Parts, the Engines, the Wright Spare Parts, the Propellers and the Curtiss Spare Parts *inter alia*; and

WHEREAS Hughes, as owner of all the Convertible Notes, is desirous that TWA refinance the debt held by Bankers Trust Company and Mellon National Bank and Trust Company, and that TWA acquire the 749 Aircraft, the Lockheed Spare Parts, the Engines, the Wright Spare Parts, the Propellers and the Curtiss Spare Parts, and to enable TWA so to do, Hughes is willing to consent to all necessary action by TWA in connection therewith,

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and promises herein contained, the parties hereto agree with each other as hereinbelow set forth:

1. Hughes expressly consents to and approves the following:

(a) The prepayment in full with interest by TWA of the indebtedness incurred by it in the purchase of the nine (9) 049 Aircraft evidenced by its promissory notes payable to Lockheed, held, as of March 11, 1948, by the following Lending Banks and in the following unpaid principal amounts: Bankers Trust Company, \$1,238,662.50; and Mellon National Bank and Trust Company, \$2,386,000.00;

(b) The execution and delivery by TWA with Lockheed of Contract L.D-42 and the agreement covering the purchase of the Lockheed Spare Parts, both dated as of November 18, 1947, and all amendments thereto, with respect to the purchase by TWA of the 749 Aircraft and Lockheed Spare Parts; and the execution and delivery of Purchase Agreements with Wright and Curtiss with respect to the purchase, respectively, of the Engines and Wright Spare Parts and the Propellers and Curtiss Spare Parts;

(c) The incurring or creation by TWA, for the purpose of refinancing the promissory notes referred to in subparagraph (a) above and of financing the purchase from Lockheed of the 749 Aircraft and the Lockheed Spare Parts, of indebtedness to the Lending Banks under the Credit Agreement up to an aggregate principal amount of \$16,276,942.50 upon Bank Notes payable to the Agent upon the terms and conditions provided in the Credit Agreement;

(d) The incurring or creation by TWA with respect to the purchase from Wright of Engines and Wright Spare Parts and with respect to the purchase from Curtiss of Propellers and Curtiss Spare Parts, of indebtedness to Wright up to an aggregate principal amount of \$2,300,000 and to Curtiss up to an aggregate principal amount of \$200,000, evidenced by Wright Notes and Curtiss Notes, respectively, payable to the Agent upon the terms and conditions provided in the Credit Agreement;

(e) The transferring, granting, bargaining, selling, mortgaging, hypothecating and pledging by TWA to the Mortgage Trustee under the Chattel Mortgage, for the security of the Notes, of (i) the nine (9) 049 Aircraft and each of them; (ii) the twelve (12) 749 Aircraft and each of them; (iii) the Lockheed Spare Parts and each and every item thereof; (iv) the Engines and each thereof and the Wright Spare Parts and each and every item thereof; (v) the Propellers and each thereof and the Curtiss Spare Parts and each and every item thereof; and (vi) all items of property covered by the Chattel Mortgage and all items of property substituted for or in replacement of any thereof in accordance with the terms of the Chattel Mortgage; and

(f) The execution and delivery by TWA of the Chattel Mortgage.

2. Hughes hereby confirms with TWA its agreement expressed in paragraph 1 of a certain agreement between Hughes and TWA dated December 26, 1947 and agrees with each other party hereto that it shall at all times hereafter forever be precluded from asserting that it has any right to any payment on account of the Convertible Notes or any of them in money or in any form other than shares of stock in TWA in accordance with the provisions of the Convertible Notes; that it shall at no time hereafter have any right as a creditor of TWA to receive or claim in respect of the Convertible Notes any payment in money or any property of TWA; and that the Convertible Notes shall at all times hereafter remain only a measure of and

basis for the right of Hughes or the holders thereof to acquire shares of stock in TWA in satisfaction thereof. This further agrees, forthwith upon the execution of this Agreement, to cause each of the Convertible Notes to be stamped on its face with a legend indicating the same is in all respects subject to the provisions of this agreement and setting forth the substance of this paragraph.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed by their respective officers thereunto duly authorized the day and year first above written.

HUGHES TOOL COMPANY

By **F. W. AYERS**
Vice President.

**BANK OF AMERICA NATIONAL TRUST & SAVINGS
ASSOCIATION**

By **T. C. DEANE**
Vice President.

BANK OF THE MANHATTAN COMPANY

By **J. N. HASLETT**
Vice President.

BANKERS TRUST COMPANY

By **D. C. HICKSON**
Vice President.

CALIFORNIA BANK

By **C. C. DEPLEDGE**
Vice President.

CENTRAL HANOVER BANK AND TRUST COMPANY

By **ALFRED ELLINGER**
Vice President.

**THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK**

By **G. D. SMITH**
Vice President.

**CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO**

By **R. A. AISHTON**
Vice President.

THE FIRST NATIONAL BANK OF BOSTON

By **ORSON ADAMS, JR.**
Vice President.

GIRARD TRUST COMPANY

By H. W. HOGLAND
Vice President.

MELLON NATIONAL BANK AND TRUST COMPANY

By FREDERICK GWINNER
Vice President.

J. P. MORGAN & CO. INCORPORATED

By I. C. R. ATKIN
Vice President.

THE NEW YORK TRUST COMPANY

By H. S. ALDRICH
Vice President.

THE PHILADELPHIA NATIONAL BANK

By JOHN McDOWELL
Vice President.

SECURITY-FIRST NATIONAL BANK OF
LOS ANGELES

By E. J. CALLISTER
Asst. Sec.

By C. A. RUDE
Vice President.

WRIGHT AERONAUTICAL CORPORATION

By H. P. DOLAN
*Vice President,
Treasurer.*

CURTISS-WRIGHT CORPORATION

By ROBERT L. EARLE
Vice President.

LOCKHEED AIRCRAFT CORPORATION

By C. A. BARKER, JR.
Vice President.

TRANSCONTINENTAL & WESTERN AIR, INC.

By ALBERT V. LESLIE
Vice President.

BANKERS TRUST COMPANY, AGENT

By D. C. HICKSON
Vice President.

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Order No. E-12604

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 4th day of June, 1958

In the matter of an investigation
of proposed transactions between

HUGHES TOOL COMPANY
and
TRANS WORLD AIRLINES, INC.

Docket No. 8061, et al.

~~ORDER INSTITUTING INVESTIGATION~~

On May 10, 1956, Trans World Airlines, Inc. (TWA) filed a motion in Docket No. 1182 that the Board modify its order therein so as not to restrict the right of TWA to purchase from the Hughes Tool Company (Toolco) up to 25 jet-powered aircraft suitable for operation by TWA on both its domestic and international routes.

By Order No. E-10360, adopted June 8, 1956, the Board instituted the instant investigation to determine whether Toolco's proposal to manufacture and sell up to 25 jet-powered aircraft for TWA and other airlines would result in a transaction requiring further Board consideration, under section 408, of Toolco's control of TWA, and if so, whether the Board should approve or disapprove such transaction under section 408(b). The Board also consolidated therein the aforementioned TWA's motion.

Pursuant to a request by counsel for Toolco and TWA, all procedural steps in this proceeding were indefinitely postponed on July 31, 1956. By letter of May 27, 1958, TWA has formally withdrawn its motion of May 10, 1956 in Docket No. 1182, and has requested that the proceedings thereon and in Docket No. 8061 be dismissed without prejudice.

Inasmuch as the proceeding in Docket No. 8061 was instituted to investigate the effect of Toolco's proposal as set forth in its motion of May 10, 1956 in Docket No. 1182, the Board finds that the withdrawal of said motion by TWA

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renders the instant investigation moot, and requires dismissal of said motion;

ACCORDINGLY, IT IS ORDERED THAT:

1. The investigation instituted in Docket No. 8061 be and it hereby is terminated; and

2. TWA's motion of May 10, 1956 in Docket No. 1182 be and it hereby is dismissed without prejudice.

By the Civil Aeronautics Board:

/s/ Marvin Bergsman

Marvin Bergsman
Acting Secretary

(SEAL)